New Forest DISTRICT COUNCIL

NOTICE OF MEETING

Meeting:	**CABINET**
Date and Time:	**WEDNESDAY, 15 FEBRUARY 2023, AT 10.00 AM***
Place:	**COUNCIL CHAMBER - APPLETREE COURT, BEAULIEU ROAD, LYNDHURST, SO43 7PA**
Enquiries to:	**joe.tyler@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, 10 February 2023.

Kate Ryan
Chief Executive

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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 1 February 2023 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. HOUSING SERVICES RESOURCES 23/24 - ARISING FROM THE NEW SOCIAL HOUSING REGULATION CHANGES (Pages 3 - 12)

5. HOUSING SERVICES RENT SETTING AND SERVICE CHARGE POLICY (Pages 13 - 30)

6. HOUSING REVENUE ACCOUNT BUDGET AND THE HOUSING SECTOR CAPITAL EXPENDITURE PROGRAMME FOR 2023/24 (Pages 31 - 58)

7. MEDIUM TERM FINANCIAL PLAN AND ANNUAL BUDGET 23/24 (Pages 59 - 88)

8. FREEDOM LEISURE (Pages 89 - 94)

9. EXCLUSION OF THE PUBLIC AND THE PRESS

The report at item 8 of the agenda (Appendix 1) contains exempt information by virtue of Paragraph 5 in Part 1 of Schedule 12A of the Local Government Act 1972.

Notice is hereby given under the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 that this part of the meeting of the Cabinet may be held in private.

If required, the Chairman will move the following resolution:-

"That, under Section 100(A)(4) of the Local Government Act 1972, the public and the press be excluded from the meeting on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 5 of Part I of Schedule 12A of the Act and the public interest in maintaining the exemption outweighs the public interest in disclosing the information."

Description of exempt information – Paragraph 5 – Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.

Part II - Private Session

Members are reminded that reports and information relating to this session are not for publication and should be treated as **strictly confidential**.

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

CABINET- 15 FEBRUARY 2023

HOUSING SERVICES RESOURCES 23/24 - ARISING FROM THE NEW SOCIAL HOUSING REGULATION CHANGES

1. RECOMMENDATION

That the Cabinet recommend to Council the approval of:-

1.1 The resources the Housing Service has requested as part of the 23/24 HRA budget to deal with the changes and improvements required under the Social Housing Regulation Bill, the new Tenant Satisfaction Measures regime and the new Social Housing Residents Charter.

2. INTRODUCTION

2.1 This report sets out the resources required (which will form part of the HRA 23/24 budget) to meet the requirements placed upon the Council due to a fundamental new housing improvement regime, starting in Spring 2023, with the introduction of 22 new Tenant Satisfaction Measures, the soon to be enacted Social Housing Regulation Bill and the Social Housing Residents Charter.

2.2 This report gives background information as to the nature of the new resources required to enable the Council to fulfil its obligations and to ensure continuous improvement across the Council's Housing services.

2.3 The Council's Executive Management Team has endorsed the need for the extra resources, which are now recommended as part of the 23/24 budget to both Cabinet and Council at their respective meetings on 15 and 27 February 2023.

2.4 Officers within Housing have been preparing for the new regime for the last 18 months, including looking at the resources required to deliver what is, a step change, in the performance of social housing regulators across the country.

3. BACKGROUND

3.1 Preparation for the changes to social housing regulation have been many years in the making, with the catalyst being the Grenfell Tower tragedy in 2017 and will represent the largest national change in Housing for over 40 years. The collective new improvement regime seeks to address the issues identified from the tragedy, sector wide disrepair claims and increasing prominence of issues caused by damp and mould, and puts the safety and quality of social housing, and how tenants are treated by their landlords, at the very forefront of everything that registered providers do.

3.2 The new regime will see several new key measures introduced to drive up standards in social housing. These include the following:

3.2.1 The Regulator of Social Housing's powers will be significantly enhanced to allow 'Ofsted-style' routine inspections, and non-routine inspections where it becomes aware of landlords failing to meet the new consumer standards.

3.2.2 The Regulator will have greater enforcement powers, including the ability to enter properties with 48 hours' notice, and to carry out emergency repairs, with landlords footing the bill.

3.2.3 A new penal system whereby social housing landlords face unlimited fines for breaching consumer standards.

3.2.4 A requirement for each social housing landlord to submit data against 22 new Tenant Satisfaction Measures annually, as set out at Appendix 1. Ten of these relate to management data and 12 relate to tenant satisfaction. The process to gather the data and to seek views of tenants starts in Spring 2023, with the Regulator publishing the first set of data in the Autumn of 2024 in national league tables.

3.2.5 The new measures will focus on housing quality and safety, tenant engagement, neighbourhood management including the response to anti-social behaviour and complaint handling and will run in parallel with a set of Consumer Standards to ensure that tenants receive the service they deserve, and problems remedied quickly.

3.2.6 All social housing tenants will be put on a level playing field with the ability to compare how their landlord performs with all other landlords across the country for the very first time and will be able to demand information about standards and quality of service.

3.2.7 The Regulator and the Housing Ombudsman will share data on poorly performing landlords, highlighting any failures they observe to each organisation, informing them where they may need to act.

3.2.8 Both the Regulator and Housing Ombudsman will publish findings of maladministration and breaches of standards in the public domain, with the potential for reputational damage for failing landlords.

3.3 Following the tragic death of Awaab Ishak in Rochdale, due to untreated mould, housing landlords have been “*Put on Notic*e”, by the Secretary of State, who in late November wrote to all housing landlords in a series of letters and stated, “*Our Social Housing Regulation Bill will enable a rigorous new regime that holds all landlords to account for the decency of their homes and the service they provide. The Regulator of Social Housing will proactively inspect landlords – and will have the power to issue unlimited fines. It will be able to intervene in those cases where tenants’ lives are being put at risk because landlords are dragging their feet in actioning repairs. And in the very worst cases, it will have the power to instruct those properties are brought under new management.”*

3.4 Cases of damp and mould are now high profile nationally and the Council’s own Housing Hub has already received an increased number of calls and reports of issues. The Council’s Housing Services reacts to all reports of damp and mould and as part of this report is requesting further resources to enable faster, more responsive treatment of mould where it occurs, requiring additional triage, analysis, and case management to further improve the service provided to tenants. This is picked up further in Section 4.4.

3.5 Whilst the Council has made significant improvement and investment across its Housing Services, there is more that can be done to enable the Council to respond appropriately and timely, to the new duties, which are wide ranging and significant.

3.6 Housing Service Managers, working in conjunction with the Strategic Director, have carefully and extensively reviewed the areas of housing where additional resource is required. These are in the following areas: statutory compliance and housing quality, performance management and resident and neighbourhood engagement, and anti-social behaviour.

4. AREAS WHERE NEW RESOURCES ARE REQUIRED

4.1 Statutory Compliance and housing quality

4.1.1 The Social Housing Residents Charter and the Regulator of Social Housing's Home Standard place significant emphasis on safe, secure, and quality homes. Ten of the 22 TSMs relate to the collection of data on the Council's response to repairs and safe and quality housing.

4.1.2 One key aspect of the new legislation and regime is the requirement for registered providers to appoint a named officer to be the health and safety lead. This is a statutory role and the person appointed will be responsible for ensuring that the landlord is complying with health and safety rules and assessing whether it is at risk of non-compliance and report to the Social Housing Regulator of any risks and failures to comply.

4.1.4 The role will also involve advising the Regulator on how these risks and failures can be addressed, whilst self-referring any breaches of health and safety responsibilities. It is clear from the legislation that the social landlord will need to make sure its nominated employee has sufficient authority, time, and resources to carry out, what are, significant duties. With the recent resignation of the Housing Compliance Service Manager, structures have been considered with the outcome of merging the Council's Compliance Team with the Maintenance Team, as both functions are so intrinsically linked, to sit under a new combined role of Housing Maintenance and Compliance Service Manager (Ritchie Thompson). However, it will be necessary to ensure that there are appropriate resources sitting beneath this senior role to ensure that all functions are discharged to a high standard. The sections below sets out the additional new resources required across both Housing compliance and maintenance functions.

4.2 Gas and Electrical Compliance

4.2.1 Mechanical and electrical is one of the largest compliance activities, with this area covering gas, oil, solid fuel, Air Source Heat Pump servicing, maintenance, installation and repair, pressurised cylinders, TMV's, commercial gas plant, electrical testing, inspection, installation and repair, emergency lighting, etc. The Council is a registered business under Gas Safe, OFTEC and NICEIC accreditations and can self-certify relevant work required under Building Regulations.

4.2.2 A new post of Mechanical and Engineering and Compliance Manager is being sought, who will assume responsibility for this important area to support the existing day-to-day operational supervisors and be directly answerable to the Service Manager and will act in the capacity of 'responsible person' under the Council's regulated business registrations. It will also assume the role of the management of other core compliance and cyclical servicing activities including legionella checks, lift servicing, mechanical ventilations units, sprinkler systems, solar panels and play areas. For the sake of clarity, fire safety has its own existing dedicated senior manager resource, due to the significance of that duty.

4.2.3 Updated British Standards and Building Regulations relating to standards and guidance for the water treatment, dosing and testing of heating systems place an onus on the council to adhere to the guidance for existing gas central heating systems, including fitting inline filters to all systems, inhibitor dosing upon installation and at 5 yearly intervals alongside water testing annually thereafter throughout the life of heating systems. These additional requirements add additional time to routine servicing. Therefore, an additional Gas Engineer post is proposed, partially offset by an existing 0.19 FTE vacancy to provide the additional hours capacity to fulfil these requirements. These improved measures will provide protection to boilers, extending life expectancy and energy performance, reducing repair costs in the long term.

4.3 Structural/Disrepair Work

4.3.1 Currently the primary responder to reports of structural issues falls to 1 post holder who holds the relevant technical diagnostic experience when complex cases occur. This postholder deals with a variety of other maintenance issues. There is a need to supplement the resources in this regard.

4.3.2 It is therefore proposed to create a new Senior Building Surveyor (with relevant structural expertise) who will provide additional support to Housing.

4.4 Damp and Mould

4.4.1 The recent national high profile of damp and mould cases demonstrates the severity of this issue if it is not properly managed. Damp and mould issues are now regarded a specialist knowledge area and requires specific training to diagnose such issues and apply a consistent and co-ordinated approach across all such reports. In November 2022 alone, 116 new cases were reported. On average the Council is receiving approximately 48 new cases every month.

4.4.2 There is a need to ensure that greater resources are in place to bring about a proactive specialist response to such cases and a number of new posts are proposed in this regard.

4.4.3 These are set out below:-

- **Disrepair Supervisor –** this will be the single point of contact within Housing for damp and mould cases and who will co-ordinate the response to such cases, arrange for property inspections, set up and maintain arrangements with external contractors and ensure appropriate record keeping of such cases.
- **Disrepair Inspection Responder** - will undertake damp and mould case inspections including diagnosis evaluation, priority risk assessment and report on remedy recommendations.
- **Disrepair Trade Responder** - will undertake primary responsive remediation work as directed. This is an operational role, dealing with proactive mould washing, fungicidal treatments, painting, and other general repairs related to damp and mould.

4.5 Stock Condition Surveys

4.5.1 The Council has commenced a 2-year programme for an external surveying company to complete more than 5,000 stock condition surveys. At the same time the surveyors carry out a Housing, Health and Safety Rating System assessment to highlight any property hazards which could be harmful to the tenant. This could include inadequate heating, damp and mould or electrical hazards.

4.5.2 Due to the large volume of data and information received following the surveys, a new post of Data Analyst role is sought to analyse the surveys and provide the necessary management reports to feed into programmes and action plans, as well as analyse other areas of service performance.

4.5.3 The financial implications of the above new posts are set out in the Financial Implications part of the report at section 5.

4.6 Consumer Standards and Performance Management

4.6.1 Social Housing Landlords will need to be able to demonstrate to the Regulator that they fully comply with the suite of consumer standards, improved learning from complaints and performance monitoring that drives up standards. There will be a greater emphasis on engaging with tenants though more formal structures including insight surveys to ensure that the Council is engaging appropriately with its tenants. There is considerable overlap here with the Council's corporate role in engaging with its residents and ensuring a sound Performance Management framework across all Council services.

4.6.2 It is proposed that a new joint corporate and housing performance management officer post is created, providing support to both Housing and the rest of the organisation to drive up standards with key performance indicators being developed with the ability to carry out regular tenant insight surveys to enable the Council to keep abreast of tenant's views/ concerns.

4.7 Resident and Neighbourhood Engagement

4.7.1 There are 3 new satisfaction measures relating to positive and respectful tenant engagement and communication. The Council will also need to ensure it contributes to how neighbourhoods are made safe, secure and clean by working with partners and tenants. There is 1 TSM relating to the Council's positive contribution to neighbourhoods.

4.7.2 The Service currently has 2 roles which support formal engagement activity with tenants, through the Tenant Involvement Group (TIG) and the production of the tenant newsletter, Hometalk. Whilst a strong core group of tenants is still required, the service needs to go further to provide a new offer and approach for tenant engagement for all tenants, through the delivery of a new Customer Engagement Strategy.

4.7.3 To lead this important area of work it is proposed to create a new role of Housing Resident Engagement Officer to lead on the following:-

- Establish a digital communication strategy and procure a platform to promote and utilise digital surveys and polls, online message boards and meetings on a regular basis.
- Launch a tenant recruitment campaign.
- Ensure tenant representatives can work alongside members in the regular scrutiny of governance and performance carried out by the Housing Overview and Scrutiny Panel.
- Formalise engagement processes with the Council's 123 Leaseholders as stipulated by the Charter.

- Lead the Council's work with tenants to understand what is important to them in their own neighbourhoods and lead the community work with partners, such as Hampshire County Council, other Housing Associations, Town and Parish Councils, and other private residents.
- Launch a programme of regular informal engagement drop ins, meetings, forums and workshops across our estates and neighbourhoods taking engagement to where tenants live, in person, in local areas around the district, rather than inviting tenants to meetings at Appletree Court.
- Support tenants receive the necessary training to scrutinise the landlord function.
- Facilitate and accompany tenants on site visits, inspections and scrutiny.
- Drive through a respectful engagement culture with tenants across the service.
- Review Tenant information and communications from all housing services and publish a framework of safety information and useful information for tenants, particularly around their responsibilities.
- Continually review and monitor website content and provide regular updates to content.

4.7.4 To facilitate this enhanced engagement it is proposed to procure a digital tenancy engagement platform and needs surveys at a cost of around £20,000 in year 1.

4.4 Anti-social behaviour

4.4.1 The Social Housing Residents Charter and the Regulator of Social Housing's Neighbourhood and Community Standard place significant emphasis on the Council's response to nuisance and anti-social behaviour (ASB). There are 2 TSMs collecting data on the Council's response to ASB.

4.4.2 The Charter outlines the Government view that, *"Tenants in social housing are more likely to be victims of crime and experience anti-social behaviour (ASB). These are corrosive behaviours, and this Government has been clear that they are unacceptable in all forms. Tenants have a right to feel safe in their homes, without the stress, fear and tensions that anti-social behaviour and crime can cause."*

4.4.3 The Charter also stipulates that landlords will have to be transparent and report on how they are performing on their ASB outcomes. Tenants and the regulator will then be able to use this information to hold landlords to account and drive better performance. The Government has stipulated it will launch information campaigns targeting social housing tenants to better inform them of their rights and the powers of councils and landlords. One such campaign is the powers available to the Council to tenants in tackling ASB. This will include information on the Community Trigger arrangements (also known as the ASB Case Review). This gives victims of persistent anti-social behaviour reported to any of the main responsible agencies (such as local authorities, police or a landlord) the right to request a multi-agency case review of their case where a local threshold is met and will result in increased pressures and demand for action and positive outcomes by the Council.

4.4.4 Currently, reports of ASB are reported to the Tenancy Management Team, who have generic roles in responding to all manner of tenant related issues, breaches, sign ups of new tenants and any other tenancy related enquiries.

4.4.5 There is the need for more dedicated resources to assist the Service Manager for Estates and Tenancy Management who, due to his particular skills and expertise in this area, plays a lead role in this area of work. Coupled with the new enhanced duties under the Charter and TSMs, where housing providers are expected to achieve better outcomes to ASB cases, there is a need to think differently about the skills and resources that are required to deal with ASB. This can be challenging work, and it is important that the right skills, level, expertise and resource is in place to support the Service Manager in this important work.

4.4.6 A further 1 FTE dedicated and specialist ASB resource, is proposed. This new post holder will sit under the Service Manager and will support Housing Services in dealing with ASB cases.

4.5 **Tenant surveys**

4.5.1 The new regulatory regime requires the Council to survey its tenants on an annual basis to collect the responses to 12 tenant satisfaction measures. The Council is required to return a minimum of 538 survey responses, representative of our tenants, to be compliant, although we will seek to collect additional responses.

4.5.2 To carry out the surveys it is proposed to procure the services of a Market Research Company to assist the Council collect and analyse the necessary data. The cost in year one is likely to be £26,000 and £15,000-£20,000 each year thereafter.

4.6 External Assistance

4.6.1 To meet the requirements of the Charter fully, some external resources will be required to help the Council implement its new arrangements to meet the requirements of the new Social Housing changes. A one-off total sum of £108k is being sought to procure this assistance.

5. FINANCIAL IMPACT OF NEW RESOUCES/ CHANGES IN STRUCTURE

5.1 The total impact of the proposed resources is shown below:

5.2 **Table 4: Total financial impact on budgets for 23/24**

Activity Area	Additional Costs required
Staff resources (Net)	**£328,000**
One off costs 23/24	**£108,000**
Ongoing Costs post April 2024	**£23,000**
Total	**£459,000**

6. CRIME & DISORDER IMPLICATIONS

6.1 The work to implement the full range of requirements of the Charter and Regulation Bill should have a positive impact on local neighbourhoods and communities, in supporting them in partnership be safer, securer and cleaner places to live.

6.2 The work to update or introduce new strategies to tackle Domestic Abuse, Nuisance and Anti-Social Behaviour and to improve neighbourhoods will contribute to and reduce the impact of crime on residents.

7. ENVIRONMENTAL IMPLICATIONS

7.1 The Charter and Regulation Bill place a key emphasis on both energy efficient housing and access to green spaces in the design of new homes. Work is well underway as the Council has already published a new Greener Housing Strategy in April 2022, led on by the Greener Housing Delivery Manager, who commenced employment in November 2022, which supports actions to reduce carbon emissions and make council owned homes more energy efficient.

7.2 A new Neighbourhood Strategy will provide consideration of access to green spaces for new housing schemes, as stipulated in the charter.

8. FINANCIAL IMPLICATIONS

8.1 To provide the critical response necessary an additional allocation of £328,000 is proposed to provide the necessary staffing resources required. This is the net cost of the proposals following the deletion of 3 existing posts whose duties will be redistributed. These costs represent the maximum financial implications, as proposed salary costs are based upon the top of a proposed salary band. It is likely some appointments will be offered a salary at a lower salary scale point. These costs are required to be applied to establishment costs from 23/24 onwards. These additional costs have been fed into the proposed Housing Revenue Account Budget and Housing Revenue Account 30 year Business Plan, along with income from the rent increase next year, proposed to be 7%, a proposal to raise void rents at re-let to the formula rent and additional Service Charge income of approximately £90,000 per annum.

8.2 In addition, one off non-staffing costs of £108,000 are required to procure software, market research company services to carry out the annual surveys and a data collection survey to capture needs data, plus consultancy costs to support key activities to engage with tenants and move forward with key strategies required to set our approach the ASB, Neighbourhoods, domestic abuse and engagement. There is likely to be an ongoing revenue cost of £23,000 each year to cover the costs of annual surveys and software support.

8.3 The work on the HRA 30 year business plan projections demonstrate the additional budgetary costs are affordable within the confines of the inputs and outputs known at the current time. These projections are summarised as an appendix in the Housing Revenue Account Budget report which proposes the annual uplift in rents.

9. EQUALITY AND DIVERSITY IMPLICATIONS

9.1 Tenants of New Forest District Council's Housing Landlord Service have a range of diverse needs and backgrounds. To some degree all our tenants are impacted in some way by our services currently but when things go wrong, or our services are not designed specifically to meet diversity standards the impact will be felt even more.

9.2 The new regime allows the Council to take a fresh look how services are provided and capture much more meaningful data on our tenants to feed into service design and improvements. The proposed performance and engagement activities will provide increased opportunity for the Council to listen and receive feedback on how tenants feel and how they are impacted by our services.

9.3 The Council will aim to improve the service offer to tenants, making this more reactive to diverse needs and to increase safety where it is required. The Council will aim to improve the culture of respect and transparency to tenants where tenants' voices can be heard and not dismissed.

9.4 The regime changes and the actions put forward by the council aim to positively impact equality and diversity for existing and future tenants.

10. HOUSING AND HOMELESSNESS OVERVIEW AND SCRUTINY PANEL COMMENTS

10.1 The Panel noted the new requirements placed on housing services arising from the new Social Housing Regulation Bill and supported the actions and additional resources which will be needed in order to meet these requirements.

11. PORTFOLIO HOLDER COMMENTS

11.1 The Portfolio Holder welcomes the report.

For further information contact:

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Background Papers:

Published Documents

Appendix 1

Measured by landlords directly

TP Measured by doing tenant perception surveys

TP01: Overall satisfaction

RP Keeping properties in good repair
See pages 8-9

RP01: Homes that do not meet the Decent Homes Standard

RP02: Repairs completed within target timescale

TP02: Satisfaction with repairs

TP03: Satisfaction with time taken to complete most recent repair

TP04: Satisfaction that the home is well maintained

BS Maintaining building safety
See pages 9-10

BS01: Gas safety checks

BS02: Fire safety checks

BS03: Asbestos safety checks

BS04: Water safety checks

BS05: Lift safety checks

TP05: Satisfaction that the home is safe

Respectful and helpful engagement
See pages 10-11

TP06: Satisfaction that the landlord listens to tenant views and acts upon them

TP07: Satisfaction that the landlord keeps tenants informed about things that matter to them

TP08: Agreement that the landlord treats tenants fairly and with respect

CH Effective handling of complaints
See pages 11-12

CH01: Complaints relative to the size of the landlord

CH02: Complaints responded to within Complaint Handling Code timescales

TP09: Satisfaction with the landlord's approach to handling complaints

NM Responsible neighbourhood management
See pages 12-13

NM01: Anti-social behaviour cases relative to the size of the landlord

TP10: Satisfaction that the landlord keeps communal areas clean and well maintained

TP11: Satisfaction that the landlord makes a positive contribution to neighbourhoods

TP12: Satisfaction with the landlord's approach to handling anti-social behaviour

CABINET – 15 FEBRUARY 2023

HOUSING SERVICES RENT SETTING AND SERVICE CHARGE POLICY

1. RECOMMENDATIONS

1.1 That Cabinet: -

1.1.1 Considers the proposed rent setting and service charge policy (Appendix 1) in the context of government rent setting policy, HRA housing revenue account budget and housing public sector capital expenditure programme 2023/24.

1.1.2 Considers the proposed changes to current rent setting processes to apply formula rent to the reletting of social rent dwellings and rent flexibility where applicable.

1.1.3 Considers the further proposed increase to domestic energy charges of up to 25%, and up to a 7% uplift of the charges for communal services received, to match the proposed increase in the basic rent for 23/24 from 3rd April 2023.

1.1.4 Makes recommendations to Council on the points of consideration above.

2. INTRODUCTION

2.1 This report introduces a new rent setting and service charge policy for implementation from 2023/24 onwards at Appendix 1. The policy introduces additional measures to increase the rent of void social rent properties at a subsequent relet to the formula rent, plus the application of rent flexibility of 5% on top of formula rent for new build social rent properties, or where significant investment has been made.

2.2 A policy is required to ensure decision making in relation to rent and service charge setting is transparent and appropriately monitored. Further, a policy is required to align rent setting with the HRA Medium Term Plan and 30 Year Business Plan, to enable effective planning and assurances over rent income levels as far as can be practically forecast.

2.3 The Policy also details a revised approach to setting and recovering service charges.

3. BACKGROUND

3.1 **Rent Setting**

3.2 Actual rents increase up to the maximum rate currently permitted by the rent standard using a standard formula. This is called the formula rent. Each property has a formula rent level. Under the current Government policy statement an increase of CPI +1% was permitted until 2024/25. The government plans to consult separately on rent increases from 2025/26. Due to the costs of living pressures and high inflation the Government deviated from the settlement to set a maximum rent increase of 7% for existing tenants in 2023/24.

3.3 The formula rent represents the maximum rent level that the Council could have set for each of its properties. If the Council had set rents lower than the maximum permitted each year the actual rent would vary from the formula rent, in greater or lower values depending on how much the respective deviation was from the formula rent. NFDC has consistently agreed the annual increase at the formula rent. Therefore, by the end of 22/23 the average difference between actual rents and formula rents is £0.10.

3.4 However, whilst actual rents are capped at a maximum increase of 7%, the formula rent is not capped, resulting in a formula rent that increases by 11.1% in 23/24. National rent policy allows Local Authority Housing Landlords to increase the rent of social rent properties at their relet, following a void period, up to the formula rent.

3.5 National rent policy also provides the ability to introduce rent flexibility where it can be justified. This allows a further 5% increase on top of formula rent to recover additional income.

3.6 Service Charges

3.7 Service Charges are currently used by NFDC as a method to recover domestic energy costs from tenants where their personal usage costs are charged directly to the Council by the respective Utility Company. Service Charges are also used to recover some aspects of communal heating and lighting costs from tenants, which are also incurred in their respective blocks.

3.8 Although there was an interim review of charges in January 2019, and each year charges are nominally increased in line with inflation, the type of services eligible to be charged to tenants have not been fundamentally reviewed for a number of years. The recent rise in energy costs has only stood to exacerbate the difference between the Council's actual costs and what it charges for energy use to tenants, through service charges.

3.9 This means the Council's landlord function is under recovering costs incurred in providing tenants with domestic energy, and/or communal heating and lighting. In this example the shortfall of costs incurred in this provision would effectively be borne by wider housing service budgets. In November 2022, Cabinet agreed to a 25% increase of domestic energy charges to be levied from 3rd January 2023. This report proposes a further uplift up to a maximum of 25%, with effect from April 2023, and up to a 7% uplift of the charges for communal services received, to match the proposed increase in the basic rent for 23/24 from 3rd April 2023. This will help to ensure that the gap between actual charges incurred by the Housing Revenue Account and that charged to tenants (relating to existing charges), is not too disproportionate.

3.10 A wider review will be undertaken during 2023/24 with a view to ensuring a fair and transparent charging mechanism is in place for all properties liable for a service charge.

4. PROPOSED RENT SETTING AND SERVICE CHARGE POLICY

4.1 The proposed policy explains how the council will calculate and charge rent for all the residential properties in its Housing Revenue Account (HRA) and the factors involved with this decision. The purpose of this policy is to:

- Ensure that the council adheres to government legislation and regulation when setting rents.
- Provide a clear and consistent framework for setting and reviewing the rents of all properties accounted for in the HRA.
- Provide as much financial certainty for the HRA as possible.
- Maximise the income available to maintain our existing housing stock and to construct or acquire new homes.
- Support the delivery of the HRA Business Plan.
- Ensure the Council meets its statutory obligations.

4.2 It is proposed to apply the following principles:

- Actual Rents and Affordable Rents will increase by an amount recommended by New Forest District Council's Cabinet, to be approved by Full Council, up to CPI + 1% each April from 2020/21 for a period of five years, except for the financial year 2023/24 where the maximum increase is capped at 7%.
- CPI will be taken as at September of the previous year.
- All newly built dwellings that are not let at Affordable Rent, or Shared Ownership, will be let at Formula Rent, plus 5% rent flexibility, unless it has been otherwise agreed with Homes England. The option to apply rent flexibility to this category of property is to recognise the additional quality and high energy efficiency standards (EPC A or B) that each of these properties delivers to our tenants. In having a high energy performance rating of A or B the resulting energy costs will be lower and more affordable to the occupying tenants, reducing any impact of a higher rent.
- Properties purchased under the 'Buyback' scheme will be let at formula rent.
- All dwellings, including age restricted and extra care properties, that become vacant and available for re-let, and that are not let at Affordable Rent or Shared Ownership, will be let at the Formula Rent, to be applied from 2023/24 onwards to ensure the Council has the necessary funds to achieve planned maintenance and energy efficiency targets on the existing stock, and to contribute towards a programme to build and/or acquire new council homes.
- Rent Flexibility of 5% will be applied to the weekly rent of empty social rent properties upon reletting, in addition to the uplift to formula rent, where the empty property:
  - Is part of an energy efficiency improvement programme
  - Receives significant expenditure, over £40,000, to remedy substantial property faults
- On each occasion that an Affordable Rent tenancy is granted, including the granting of a further flexible tenancy term to the same tenant, the rent is re-set based on a new market rental valuation. The rent of an existing Affordable Rent tenant (including where they have a new tenancy) may not be increased by more than CPI+1% in any year, subject to specified limits.

4.3 It is further proposed to increase the service charges to those tenants currently charged for domestic energy, up to a maximum of 25% on top of charges levied on 3rd January 2023.

4.4 Tenants, who are part of the current service charge regime also pay for communal charges such as communal heating and lighting and cleaning services. It is proposed to increase these charges by 7%, in line with the annual rent increase, ahead of a wider review and consultation later in the year.

4.5 During 2023 it is proposed to launch a fundamental review of service charging, looking across the board, to consider how many tenants are benefitting from communal services provided and paid for by the HRA, with a view to better recovering the actual costs of services provided, to aid fairness and transparency.

Consultation with relevant tenants will take place, which will feed into the Council's decision-making processes in the autumn of 2023 in respect of the wider review.

5. FINANCIAL IMPLICATIONS

5.1 Both the addition of formula rent at relet and applying rent flexibility where applicable have a positive impact on the health of the HRA over the 30-year business planning period. If either of these policy tools were not applied the Council is projecting a £5m HRA deficit after 30 years.

5.2 Reletting vacant dwellings at the formula rent (Scenario 1) improves the operating surplus and allows the authority to maintain a minimum balance on its HRA for the duration of the 30-year projections. If we add rent flexibility (Scenario 2), the authority uses the additional income generated to repay debt and continues to maintain balances at the minimum level.

5.3 Both scenarios increase the rental income available to the HRA, which improves the ability to repay debt. As a result, the authority has more revenue resource available, which means it is better able to part-finance the capital programme using revenue contributions. When borrowing is required to finance the capital programme, the HRA will need to borrow less, and the additional revenue resource available means that it can repay the debt more quickly.

5.4 If the authority adopts a policy of re-letting units at the formula rent (Scenario 1), the debt after 30 years drops to £114.146m, which is £31.780m lower than the baseline position. If 5% rent flexibility is also added to applicable re-let rents (Scenario 2), the authority can repay more of its external HRA debt within 30 years and is left with HRA related debt of £108.039m.

5.5 The increase in service charges to match expenditure, and the introduction of additional Service Charges not currently recovered, will recoup additional annual income of circa £90,000. The range of service charge increases will be from £0.27 to £5.15 for domestic energy and no increase up to £1.49 for communal charges.

5.6 There is some likelihood that tenants will be impacted financially. Tenants new to social housing, or who transfer to another Council property, will be impacted by an additional 5% increase in rent at the relet of the new property. However, NFDC social rents remain well below private rent levels in the district and 73% of current tenants receive some form of financial assistance toward their rent. Therefore, most tenants will be shielded, to some degree, from these increases.

5.7 Where rent flexibility is concerned the properties affected will benefit from investment and energy efficiency measures, resulting in lower running costs. Therefore, whilst the weekly rent is increased the properties will be more affordable to run.

6. EQUALITY AND DIVERSITY IMPLICATIONS

6.1 The current situation with regard to service charging requires overhaul but will be reviewed in phases to lessen the impact on vulnerable people. 693 Tenants who live in flats receive services under the current charging regime. A situation has arisen which means the HRA is offsetting its budgets to cover the shortfall in income, which is not sustainable in the future.

6.2 The proposed rent policy aims to redress this situation and ensure equity amongst tenants who do, and do not receive services in a phased approach, beginning with tenants who are part of the current regime later in 23/24. In addition, the new policy will increase transparency and demonstrate to those tenants who are charged, what they are paying for and for what service.

6.3 As per para. 5.6 there is likely to be an impact on Tenants, particularly by the proposed changes to service charges. In particular those living in flats will be affected. This will include those living in Extra Care, age restricted flats and single person flats. This will include a number of vulnerable, elderly, disabled people, and/or those on low incomes.

6.4 In mitigation, all communal charges are eligible for benefits. The majority of tenants in these flats will be in receipt of financial assistance so will be largely protected.

6.5 In addition, the Council has a well-established approach to local support and assistance with cost-of-living pressures, with a Council Steering Group linking in with local voluntary groups providing practical support to residents. The Housing Services' Tenancy Support Worker will be made available to support vulnerable tenants where necessary, whilst the Council's team of Tenancy Account Officers are now regularly attending community drop-in sessions around the district; ready to provide support and signposting where necessary.

7. TENANT INVOLVEMENT GROUP COMMENTS

7.1 The TIG group had considered the policy and, in light of the explanations given for the HRA Report, had no objections to the policy being approved.

8. HOUSING AND HOMELESSNESS OVERVIEW AND SCRUTINY PANEL COMMENTS

8.1 The Panel considered the proposed rent setting and service charge policy and the proposed changes to the rent setting. This included proposed changes to the reletting of social dwellings with the application of formula rent and rent flexibility, where applicable. The Panel recognised the financial pressures the HRA account was facing and accepted it was necessary to try to maximise income. Members were reassured to hear at the meeting that the Tenant Involvement Group had been largely supportive of the proposed recommendations.

9. PORTFOLIO HOLDER COMMENTS

9.1 The Portfolio Holder thanks Officers, the Tenant Involvement Group and the Housing & Homelessness Overview & Scrutiny Panel for their careful consideration of the proposed new rent setting and service charge policy and supports the recommendations set out within the report.

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Background Papers:

None

HOUSING LANDLORD SERVICES

Rent setting and service charge policy

Document

Name of policy	Housing Landlord Services Rent Setting and Service Charge Policy
Purpose of policy	New Forest District Council (the Council) is committed to a transparent approach to rent and service charge setting in accordance with social housing regulatory standards. This policy explains how the council will calculate and charge rent for all the residential properties in its Housing Revenue Account (HRA) and the factors involved with this decision. The purpose of this policy is to: ▪ Ensure that the council adheres to government legislation and regulation when setting rents. ▪ Provide a clear and consistent framework for setting and reviewing the rents of all properties accounted for in the HRA. ▪ Provide as much financial certainty for the HRA as possible. ▪ Maximise the income necessary to maintain our existing housing stock and to construct or acquire new homes. ▪ Support the delivery of the HRA Business Plan.
Policy applies to	This policy applies to the setting of rent and service charges to all tenants and leaseholders of New Forest District Council, and includes all housing and garages operated by the landlord function of New Forest District Council
Lead officer	Service Manager – Housing Options, Rents, Support and Private Sector Housing
First issued	6 January 2023
Latest update	
Version control	V1.0 – 6 January 2023
Review period	Annually ahead of the rent setting process each year. Otherwise, as required by legislative, contractual, or organisational changes.
Update overview	V1.0 – New Policy

Contents

1. Introduction

Rent income from its Housing and property portfolio is the main source of revenue for the Housing Revenue Account (HRA), funding management, maintenance, and property improvement activities. It also services the loans which enable the development of new council owned social housing and enabled the Council to leave the national HRA subsidy system.

A regulatory framework determines how rents must be set and increased by social housing landlords. From 1 April 2020, Registered Providers must comply in full with all the requirements and expectations set out in the Regulator of Social Housing's Rent Standard. They must also comply with the Rent Policy Statement on Rents for Social Housing 2019 on the setting, increase and decrease of rents and service charges.

The Council's Landlord Service sets out how this income will be allocated to meet the strategic objectives for its housing stock in its HRA Business Plan. This plan balances the pressures on income and expenditure over the long term so that the HRA remains viable at all times throughout the plan period.

This policy:

- Details how the Council will calculate, and charge rent for all properties in its HRA.
- Sets out the approach to levy service charges for tenants and leaseholders where appropriate

2. Policy and legislation

Since 2001, rents for properties let at Social Rent have been based on a formula set by the government. This creates a 'formula rent' for each property, which takes account of the relative value of the property, relative local income levels, and the size of the property. A principal aim of this formula-based approach is to ensure that similar rents are charged for comparable properties across the country.

In 2011, the government introduced Affordable Rent, which permits rents to be set at up to 80% of market rent (inclusive of service charges). The introduction of Affordable Rent was intended to fund the construction of more new homes at a sub-market rent. Landlords can only let new properties at Affordable Rent where it has agreed the principle with Homes England, or where the Council is using retained s141 right to buy receipts to part pay for new affordable homes. NFDC delivered its first affordable rent properties in 2020.

In October 2017, the government announced its intention to set a rent regime for local authority landlords and housing associations that permits annual increases of the formula rents, for social rented properties and Affordable Rents of up to CPI + 1% from 1 April 2020, for a period of at least five years. The formula rent calculation returns a notional rent figure which demonstrates what the Council could charge up to each year.

Where a council has not deviated from setting rent levels at the maximum allowed under the formula each year, the actual rent charged to tenants will be the same as the formula rent. Where a Council has increased its rent at less than the maximum formula rent for any 1 year or more, there will be a difference in the formula rent and the actual rent charged to tenants.

Due to the result of compounding interest on income over time a 1-year deviation will grow over a business plan period and will result in an income gap that may never be recovered but could be reduced by additional measures.

The council has limited discretion over rent levels for individual properties, to take account of local factors and concerns. This discretion allows for social rents to be set at the formula rent when such a property is relet, and for new build or acquisitions to be newly let at the formula rent.

In addition, it provides flexibility to set rents at up to 5% above Formula Rent for general needs properties and 10% for supported housing. This is known as rent flexibility.

Rent and service charge setting is governed by:

- Housing Act 1985 Section 24.
- Landlord and Tenant Act 1985.
- Local Government and Housing Act 1989.
- Housing and Regeneration Act 2008 (a) Section 197.
- Social Housing Rents (Exceptions and Miscellaneous Provisions) Regulations 2016.
- Welfare Reform and Work Act 2016.
- Direction on the Rent Standard 2019.
- Policy Statement on Rents for Social Housing issued by the Secretary of State February 2019.
- Rent Standard 2020 - Regulator of Social Housing, 1 April 2020.

3. Purpose

3.1 The purpose of this policy

This policy explains how the council will calculate and charge rent for all the residential properties in its Housing Revenue Account (HRA) and the factors involved with this decision. The purpose of this policy is to:

- Ensure that the council adheres to government legislation and regulation when setting rents.
- Provide a clear and consistent framework for setting and reviewing the rents of all properties accounted for in the HRA.
- Provide as much financial certainty for the HRA as possible.
- Maximise the income available to maintain our existing housing stock and to construct or acquire new homes.
- Support the delivery of the HRA Business Plan.
- Ensure the Council meets its statutory obligations.

3.2 Residents affected by this policy

This policy applies to all tenants of New Forest District Council, properties and assets that are accounted for in the HRA, including:

- Rented residential accommodation.
- Service charges for HRA rented residential accommodation.

It does not cover:

- Rents and service charges for General Fund residential properties.
- Ground rents and service charges for leasehold residential accommodation.
- Garages.

4. Formula rent

4.1 Rent Setting at New Forest

This section of the policy does not apply to 'Affordable rent' properties set at up to 80% of market levels and the Council's stock of low-cost shared ownership properties.

New Forest District Council has largely approved annual social rent increases at the maximum level of rent increase as determined by the rent setting formula. This has applied increases as follows, in the last 3 financial years:

Year	Maximum Increase allowed %	Actual Increase applied %
2020/21	**2.7**	**2.7**
2021/22	1.5	1.5
2022/23	4.1	4.1

As at the last annual rent increase application on 4 April 2022 all New Forest District Council owned social rented properties were let at a rent at or below formula rent.

4.2 Formula Rent

Weekly formula rent is to be calculated using the following formula:

- 70% of the national average rent in April 2000.
- Multiplied by the average manual earnings for the county in which the property is located divided by the English average manual earnings, both at 1999 levels.
- Multiplied by a bedroom factor (or weight).
- Plus 30% of the English average rent.
- Multiplied by an individual property's value divided by the English average property value, as at January 1999 prices.
- Putting the relevant information into the above formula gives the Formula Rent for 2000/01 for the property, which must then be uprated, for each year, using the relevant uplifts stated in the *Policy statement on rents for social housing*. This may be amended from time to time, and the council adheres to the most current edition.

The Government determined Formula Rents will increase by CPI + 1% each year from 2020/21 onwards for a period of five years. CPI is taken at September of the previous year.

However, due to a significant increase in inflation (10.1%) to September 2022 the Government intervened and implemented a maximum cap on the rent increase for the year 2023/24 to 7%.

4.3 Rent Caps

Formula Rent is subject to a rent cap based on the number of bedrooms in a property. If Formula Rent would be higher than the rent cap for a particular property, the rent cap is used instead. The rent cap is expected to increase by CPI + 1.5% each year.

5. Rent setting

5.1 Rent Setting Policy

The council sets rents for its residential accommodation in the HRA in accordance with the Policy Statement on Rents for Social Housing issued by the Secretary of State on 26 February 2019 and the Rent Standard 2020 issued by the Regulator of Social Housing, on 1 April 2020 and any subsequent amendments in legislation regulation or guidance.

New Forest District Council will apply the following principles:

- Actual Rents and Affordable Rents will increase by an amount recommended by New Forest District Council's Cabinet, to be approved by Full Council, up to CPI + 1% each April from 2020/21 for a period of five years, except for the financial year 2023/24 where the maximum increase is capped at 7%.
- CPI will be taken as at September of the previous year.
- All newly built dwellings that are not let at Affordable Rent, or Shared Ownership, will be let at Formula Rent, plus 5% rent flexibility, unless it has been otherwise agreed with Homes England. The option to apply rent flexibility to this category of property is to recognise the additional quality and high energy efficiency standards (EPC a or B) that each of these properties delivers to our tenants. In having a high energy performance rating of A or B the resulting energy costs will be lower and more affordable to the occupying tenants, reducing any impact of a higher rent.
- Properties purchased under the 'Buyback' scheme will be let at formula rent.
- All dwellings, including age restricted and extra care properties, that become vacant and available for re-let, and that are not let at Affordable Rent or Shared Ownership, **will be let at the Formula Rent,** to be applied from 2023/24 onwards to ensure the Council has the necessary funds to achieve planned maintenance and energy efficiency targets on the existing stock, and to contribute towards a programme to build and/or acquire new council homes.
- Rent Flexibility of 5% will be applied to the weekly rent of empty social rent properties upon reletting, in addition to the uplift to formula rent, where the empty property:
    - Is part of an energy efficiency improvement programme
    - Receives significant expenditure, over £40,000, to remedy substantial property faults
- On each occasion that an Affordable Rent tenancy is granted, including the granting of a further flexible tenancy term to the same tenant, the rent is re-set based on a new market rental valuation. The rent of an existing Affordable Rent tenant (including where they have a new tenancy) may not be increased by more than CPI+1% in any year, subject to specified limits.

5.2 Affordable Rents

Affordable Rent properties are accommodation which Homes England or the Secretary of State have agreed can be let at an Affordable Rent (including service charges), at a level no lower than the formula rent. Affordable Rents are higher than Formula Rents. The council will enter into agreements with Homes England to build new homes at Affordable Rent to help fund investment in new council housing, where applicable.

5.3 Calculating Affordable Rents

Affordable Rent will not exceed 80% of gross market rent (including applicable service charges). Gross market rent is the rent the property would reasonably be expected to be let for in the private sector. Factors including property size, location type and service provision will be considered when determining gross market rent. The council will comply with the terms of any agreements with Homes England or the Secretary of State when setting Affordable Rents. The council will have regard to the local market context, and, at the initial letting, its Affordable Rents will not exceed 80% of gross market rent or Local Housing Allowance for the Broad Rental Market Area in which the property is located. The Affordable Rent will be initially set at the lower of these two figures.

5. Rent setting (Cont'd)

5.4 Re-setting Affordable Rents for follow on tenancies

The initial rent will be re-set, based on a new market rental value, on issuing a new tenancy. Subject to Homes England approval initial rents and reset Affordable Rents will be 'capped' to not exceed Local Housing Allowance levels relevant to the size of accommodation and the Broad Rental Market Area in which they are located.

If the accommodation is re-let to the same tenant because of a probationary tenancy ending, the rent will not be re-set. If the council is re-setting the rent because of re-letting Affordable Rent housing to an existing tenant of the specific property concerned, it will not increase the rent by more than CPI + 1%.

5.5 Shared Ownership

Shared Ownership rents will increase by an amount recommended by New Forest District Council's Cabinet, to be approved by Full Council, up to RPI + 1% each April.

5.6 Service Charges

The council will:

- Set reasonable and transparent service charges which reflect the service being provided to tenants.
- Ensure that the cost of services provided to tenants are charged to the tenants who benefit from those services and are not cross subsidised by tenants not in receipt, where practicable.
- Ensure that all tenants who live in flat accommodation where a specific service is provided to their dwelling receive a service charge for their share of their building's respective costs. These charges relate to the servicing of lifts, mechanical ventilation systems, fire alarms, solar panels, etc.
- Ensure that the services and works are of a reasonable standard.
- Supply tenants with clear information on how service charges are set.
- Identify service charges separately from the rent charge.
- Where new or extended services are introduced, and an additional charge may need to be made. The council will consult with tenants in such circumstances.
- Service charges will be based, where possible, on actual expenditure for the preceding financial year.
- An asset management strategy and planned maintenance delivery programme will be put in place to enable service charges for leaseholders to be levied in advance, if appropriate. This will help leaseholders to budget for major items of expenditure.
- If service charges are less than actual expenditure, they will be raised by an amount which recovers actual expenditure, or a phased increase over a set period will be applied. Any increase will be recommended by the Council's Cabinet to be approved by Full Council and will follow the approved process for increasing charges.
- If actual expenditure is less than the current charge, the service charge may be reduced accordingly.

In 23/24 The Council will implement a new regime of service charging which demonstrates to tenants, where applicable, a clear breakdown of charges for all services they enjoy, including where tenants have not previously been charged for services.

5.7 Rent variation: timing, roles, responsibilities, and authority

The council varies rent and service charges annually, normally at the beginning of the financial year in April. Tenants must receive at least four weeks' notice in writing of any changes to their rent or service charges and

5. Rent setting (cont'd)

the reasons for the rent change. The yearly change to rental and service charges are part of the annual HRA Revenue and Capital Budget setting process, which is a decision for Full Council.

5.8 Consultation

The council consults the Tenant Involvement Group on the contents of the draft annual HRA Revenue and Capital budget, including proposals to change rents and service charges before it is considered by Full Council. The draft annual HRA Revenue and Capital budget, including proposals to change rents and service charges, is available to the public for consultation as part of the wider budget consultation.

5.9 Monitoring, Review and Evaluation

This Policy will be reviewed on an annual basis ahead of the rent setting process and will be modified as necessary to accord with any new legislation, regulation or changes to the legislative and regulatory framework or significant change to the benefits system.

5.10 Equality and diversity

The Council is committed to ensure that this policy does not impact disproportionately on different equality groups. This strategy has been subject to an Equalities Impact Assessment which can be found at Appendix A.

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CABINET – 15 FEBRUARY 2023

PORTFOLIO: HOUSING AND HOMELESSNESS SERVICES

HOUSING REVENUE ACCOUNT BUDGET AND HOUSING PUBLIC SECTOR CAPITAL EXPENDITURE PROGRAMME 2023/24

1. RECOMMENDATIONS

1.1 That the Cabinet be asked to approve the proposed planned maintenance and improvement works programme 2023/24-2025/26, as set out in Appendix 2.

1.2 That the Cabinet be asked to recommend to Council:

i) that the HRA budget, as set out in Appendix 1 of this report, be agreed;

ii) that from 03 April 2023, an increase in rents of 7.0% from the 2022/23 weekly rent level, in accordance with Government guidelines, be agreed;

iii) that from 03 April 2023, an increase in garage rents of 13% from the 2022/23 weekly rent level be agreed;

iv) that from 03 April 2023, an increase in shared ownership property rents of 7% from the 2022/23 weekly rent level, varied from the allowed RPI +1% increase of 13.1%, in accordance with Government requests of the Housing Sector, be agreed;

v) that from 03 April 2023 a further uplift in domestic energy service charges of up to a maximum of 25% and an increase of up to 7% in communal service charges, in line with the annual rent increase, ahead of a wider review and consultation later in the year, be agreed;

vi) that a Housing Capital Programme to 2025/26, as set out in Appendix 5, be agreed.

2. INTRODUCTION

2.1 This report sets out the proposed Housing Revenue Account (HRA) budget, the proposed rent levels and other charges, the maintenance programme and a proposed Housing Public Sector Capital Programme for 2023/24 – 2025/26.

2.2 The proposed budgets for 2023/24 will be considered by tenants on the Tenants Involvement Group on 18 January 2023. Their comments will be included in the report to Cabinet on 15 February 2023.

2.3 The proposed HRA budget is attached as **Appendix 1,** the detailed maintenance programme at **Appendix 2**, the 3-year forecast medium term financial position at **Appendix 3,** the 30-year business plan at **Appendix 4** and the proposed Capital programme at **Appendix 5**. Cabinet will be required to recommend budgets for consideration at Council on 27 February 2023.

3. KEY ISSUES

3.1 Housing Authorities and Registered Providers face on-going challenges to maintain the continuation of high-quality services to their tenants, ensuring that buildings are safe and free from hazards and gearing up to deliver greater energy efficiency measures in the retrofitting of their stock, as well as delivering more affordable homes. Tenants, too, are facing challenges over rises in the cost of living and increases in energy bills. The proposal set out below to increase rents in line with the Government's current recommendation is considered to strike the right balance to ensure that the Council continues to provide high quality services to tenants and that the necessary programmes of maintenance and repairs to council housing stock are undertaken, as well as delivering new affordable council homes in the District.

3.2 Members are asked to consider a number of financial issues for 2023/24.

3.3 **Housing Rents**

3.3.1 The proposed budget identifies a social rent increase of 7.0%, in line with the Government's notified rent increase cap. It is the fourth increase, following a previous four-year social rent reduction programme. Increases in the last three years were based on Government guidelines of CPI+1%. If the cap had not been introduced the increase would have been 11.1%.

3.3.2 Following the rent increase, average weekly rents will be £113.71 for 2023/24. The actual increase will vary by property but will amount to an average increase of £7.44 per week.

3.4 **Service Charges – Hostels & Flat Accommodation**

3.4.1 Service Charges are currently used by the Council as a method to recover domestic energy costs from tenants where their personal usage costs are charged directly to the Council by the respective Utility Company. Service Charges are also used to recover some aspects of communal heating and lighting costs from tenants, which are also incurred in their respective blocks.

3.4.2 Although there was an interim review of charges in January 2019, and each year charges are nominally increased in line with inflation, the type of services eligible to be charged to tenants have not been fundamentally reviewed for a number of years.

3.4.3 The recent rise in energy costs has only stood to exacerbate the difference between the Council's actual costs and what it charges for energy use to tenants, through service charges. This means the Council's landlord function is under recovering costs incurred in providing tenants with domestic energy, and/or communal heating and lighting. In this example the shortfall of costs incurred in this provision would effectively be borne by wider housing service budgets. In November 2022, Cabinet agreed to a 25% increase of domestic energy charges to be levied from 3rd January 2023. This report proposes a further uplift, up to a maximum of 25%, with effect from April 2023, and a 7% uplift of the charges for communal services received, to match the proposed increase in the basic rent for 23/24 from 3rd April 2023. This will help to ensure that the gap between actual charges incurred by the Housing Revenue Account and that charged to tenants (relating to existing charges), is not too disproportionate ahead of a wider review and consultation later in the year.

3.4.4 Currently only 693 dwellings receive a charge. The proposal is to recover additional annual income of circa £90,000 from these tenants from 3 April 2023.

3.4.5 The impact on tenants is varied. In some cases, the weekly charge is lower than currently charged. This is due to the new transparent approach using actual costs. In most cases the weekly charges increase, within a range from £0.27 to £5.15 for domestic energy and no increase up to £1.49 for communal charges. Communal costs are eligible for Housing Benefit and Universal Credit so the majority of tenants will be unaffected by an increase.

3.4.6 A wider review will be undertaken during 2023/24 with a view to ensuring a fair and transparent charging mechanism is in place for all properties liable for a service charge.

3.5 Garage Rents

3.5.1 Garage rents were last increased in 2020/21. It is proposed that charges are increased in 2023/24 by 13% (£1.39 per week) to £12.09 per week, plus VAT where applicable.

3.6 Planned Maintenance & Improvement Works

3.6.1 The report proposes total budgetary provision of £10.100 million for planned maintenance and improvement works to houses and estates. Details of the proposed works for 2023/24 and an indication of proposals for the following two years are set out in **Appendix 2.**

3.7 **Fire Risk Assessment Works**

3.7.1 The Council set up a new Housing Compliance and Asset Management Section to ensure fire safety and statutory compliance matters are given the appropriate priority. Following a comprehensive review of fire safety and fire risk assessments, separate budget is included within the capital programme to deal with fire risk assessment actions. Budget, totalling £5.5 million has been earmarked over a 3-year period (£3 million in 2022/23, £2 million in 2023/24 and £0.5 million in 2024/25) to deal with implementing new fire doors, where required, across the Council's blocks of flats, other fire remedial work including compartmentation works and new alarms, to ensure that the risk of fire is as low as reasonably practicable.

3.8 **Housing Improvement Regime**

3.8.1 In order to meet additional requirements on the Council arising under the Social Housing Regulation Bill, the new Tenant Satisfaction Measures regime and the Social Housing Residents Charter, a review has been carried out and additional staffing resources of £328,000 have been allocated, principally within the Housing Maintenance and Housing Management Teams. In addition, £108,000 has been allocated for external consultancy, tenant surveys, tenant data capture and tenant engagement computer software.

4. HRA INCOME 2023/24

4.1 Estimated total income for 2023/24 is £2.328 million higher than the original budget for 2022/23. The income variations from the 2022/23 approved budget are set out below:

	Change £000	**Paragraph**
Dwelling Rents	(1,813)	4.2
Non – Dwelling Rents	(48)	4.3
Service Charges	(117)	4.4
Other Income	(350)	4.5
Total	**(2,328)**	

4.2 **Dwelling Rents (£1.813 million increase)** – The proposed budget for 2023/24 includes the benefits of £1.974 million arising from the proposed 7.0% rent increase and £47,000 from an increase in dwelling numbers but this is offset by a loss of income of £208,000 due to continuing void levels.

4.3 **Non - Dwelling Rents (£48,000 increase)** – This income is derived from garages and rents of other housing land. The overall increase reflects the proposed increase in charges (£79,000) offset by a reduction of £31,000 due to the impact of reduced lettings from voids and anticipated development opportunities on garage sites.

4.4 **Service Charges (£117,000 increase)** – The service charges proposals detailed in Section 3 will generate additional income of £90,000. This together with income from new units will result in total additional income in 2023/24 of £117,000.

4.5 **Other Income (£350,000 increase)** – Despite utilising reserves to fund the capital programme, interest earnings have increased by £320,000 following an increase in interest rates. The Shared Amenities contribution from the General Fund has increased by £30,000 to cover inflationary increases in costs and increases in expenditure on trees and other estate budgets.

5. HRA EXPENDITURE 2023/24

5.1 Budgeted operating expenditure for 2023/24 is £3.029 million higher than the approved budget for 2022/23. After allowing for increased depreciation charges and transfers from reserves for specific earmarked projects, surplus resources available for making principal repayments on borrowing are reduced by £1.331 million to maintain a balanced Housing Revenue Account for the year, as detailed in paragraph 5.8. The major variations are set out below:

	Change £000	**Paragraph**
Cyclical/Reactive Maintenance	1,252	5.2
General Management	923	5.3
Special Services/Homeless Assistance	522	5.4
Rents, Rates, Taxes and other charges	8	5.5
Capital Financing Costs - Interest	324	5.6
Operating Expenditure	3,029	
Contribution to Capital – Supporting Housing Strategy	580	5.7
	3,609	
Capital Financing Costs – Principal	-1,331	5.8
Total	**2,278**	

5.2 **Cyclical/Reactive Maintenance £1.252 million –** Increased maintenance budgets are principally due to pay and prices increases of £610,000, an increase of £359,000 on cyclical maintenance due to the reintroduction of external decorations and sheltered accommodation decoration works and maintenance costs of new alarm systems, £181,000 from the Housing Improvement Regime staffing review, a £50,000 staff transfer from capital works to revenue void works and £28,000 additional costs from the vehicle replacement programme.

5.3 **General Management £923,000** - Supervision and Management budgets will increase principally due to pay and prices increases of £494,000, £222,000 for additional staffing, largely within the Housing Repairs and Housing Estate Management Teams and £108,000 in supplies and services budgets following the Housing Improvement Regime and senior management team reviews. In addition, there are increased corporate allocations of £23,000, increased premises insurance costs of £20,000, a £46,000 transfer of Housing Development Team staffing costs previously allocated to General Fund activities and £52,000 increased building cleaning allocations for general needs housing areas. These costs are offset by the removal of a £50,000 non-recurring ICT software budget that was funded in 22/23 from the ICT Reserve.

5.4 **Special Services/Homeless Assistance £522,000** – An increase in budgets is principally due to utility bill increases of £393,000, other pay and prices increases of £105,000 and an increase of £38,000 in the Trees Maintenance budget, offset by a reduction in cleaning budgets due to the reallocation of a greater level of costs to general needs housing.

5.5 **Rents, Rates, Taxes and Other Charges £8,000** – Additional costs are due to the inclusion of latest updated budgets for hostel unit Council Tax charges and general needs housing whilst void repairs are being carried out.

5.6 **Capital Financing Costs £324,000** – Capital Financing costs have increased by £324,000. This is due to interest costs of £218,000 on new borrowing for the proposed capital programme set out in Section 8 of this report and £211,000 additional interest costs of existing internal borrowing, due to increased interest rates, offset by a reduction of £105,000 in interest costs due to the repayment of the next £4.1 million instalment of the settlement borrowing in March 2023.

5.7 **Contribution to Capital - Supporting Housing Strategy £580,0000** – This budget is the prescribed calculation of dwellings depreciation that needs to be charged to the Housing Revenue Account and is used to part fund the capital programme. The figure has increased principally because of an increase in the housing stock value that needs to be depreciated.

5.8 **Capital Financing Costs – Principal -£1.331 million –** After allowing for any transfers from reserves, the Council is required to set a balanced budget for the year. Increased expenditure and notional depreciation costs in 2023/24 of £3.609 million exceed anticipated increased income of £2.328 million, reducing the annual amount available for repaying principal on borrowing by £1.331 million. The maturing loan of £4.1 million will be repaid during 2023/24 and replaced with new borrowing of £1.331 million.

6. HRA RESERVE BALANCE

6.1 The HRA Reserve balance as at 1 April 2022 was £1 million. This is considered to be a prudent level.

6.2 The original 2022/23 HRA budget showed a net operating deficit position of £200,000 which was to be met from earmarked reserves. A financial update report for the year will be presented to Cabinet on 6 February 2023. In accordance with current policy, any surplus or deficit for the year will be balanced by a transfer to or from the Acquisitions and Development Reserve, which stood at £11.729 million as at 31 March 2022.

6.3 The proposed HRA budget for 2023/24 currently shows a net operating deficit position of £150,000 but this relates to non-recurring expenditure and will be funded from earmarked reserves, resulting in no change to the general HRA reserve balance. The estimated Housing Revenue Account balance at 31 March 2023 and 31 March 2024 will therefore be £1 million.

7. HRA MEDIUM TERM FINANCIAL PLAN

7.1 Attached as **Appendix 3** is an indication of HRA budgets for two years post 2023/24 and is included to enable decisions for 2023/24 to be made in the context of affordability for the medium term. While these budgets will be amended in future years, it shows that estimated operating surpluses enable resources to be allocated to part fund the Capital Programme but the Council's ability to repay the annual maturing borrowing is not possible and therefore spending pressures will need to be controlled.

8. 30 YEAR BUSINESS PLAN

8.1 The Council, with the assistance of an external consultant has produced a 30- year HRA business plan. This will be used to monitor the long-term implications of budget plans and aspirations. A summary of the initial document is set out in **Appendix 4.**

9. CAPITAL PROGRAMME

9.1 The proposed Housing Public Sector capital expenditure programme for 2023/24 totals £27.610 million. The detailed programme and anticipated funding is set out below:

	Original 2022/23 £000	Latest 2022/23 £000	Original 2023/24 £000
Proposed Expenditure			
Fire Risk Assessment Works	3,000	3,000	2,000
Major Structural Refurbishments	1,000	1,000	1,000
Planned Maintenance & Improvements	5,500	5,500	7,760
Robertshaw House	0	0	500
Estate Improvements	200	200	200
Disabled Facilities Adaptations	1,000	1,000	950
Development Strategy	14,200	10,200	15,200
TOTAL	**24,900**	**20,900**	**27,610**
Funded by			
Revenue	9,120	9,700	9,700
Capital Receipts	2,000	2,000	2,000
Acquisitions and Dev. Reserve	2,150	3,760	2,970
Government Grant	1,950	1,360	3,660
Internal Borrowing	2,270	4,080	1,530
External Borrowing	7,410	0	7,750
TOTAL	**24,900**	**20,900**	**27,610**

9.2 Significant works to properties, including compartmentation and new fire doors, are being carried out following detailed Fire Assessment surveys. Funding of £2 million is proposed for 2023/24.

9.3 The Authority is holding several properties requiring significant structural refurbishment works, a number of which are currently void. Funding of £1 million is proposed to upgrade these properties.

9.4 The Major Repairs budget was reduced in 2022/23 to partially offset the new expenditure items detailed in paragraphs 9.2 and 9.3 but has been increased in 2034/24 to £7.760 million to reflect identified programme needs. Details of the proposed programme are set out in **Appendix 2**.

9.5 Robertshaw House - Budget provision of £500,000 has been allocated for major internal and external refurbishment and improvement works at Robertshaw House.

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9.6 The proposed capital programme for 2023/24 includes £15.200 million to be invested in additional homes. This level of expenditure is also expected over the period post 2023/24 through to 2025/26, in line with the Council's new Housing Strategy, as covered in more detail in paragraph 9.7. **Appendix 5** shows the proposed capital programme to 2025/26.

9.7 The Council's Housing Strategy targets the delivery of at least 600 new homes covering the period 2018 - 2026. The delivery of the Housing Strategy to 2026 will seek to ensure ring-fenced Housing Revenue Account (HRA) resources are maximised to their full potential. The recent removal of the borrowing cap gives Local Authorities enhanced flexibilities in terms of playing a key part in the delivery of new affordable homes across the Country. The Council should be prepared to consider any opportunities that arise, and the potential should be there to fund the delivery of new homes through borrowing as long as a sound financial viability appraisal confirms it is suitable to do so. The Council has a sound financial platform to build upon and the delivery of the Housing Strategy to 2026 will seek to further enhance the financial performance of the existing HRA. By venturing into new tenures, the financial performance of the HRA will improve, as additional rental income is made available for the essential maintenance and management of the Council's overall Portfolio and to fund more new affordable homes.

9.8 Based on latest estimates, the proposed capital programme will result in the total accumulated borrowing requirement exceeding the level of Housing specific cash reserves held during 2023/24. This would necessitate external borrowing during 2023/24 to finance the programme. However, the decision about timing of actual borrowing will be taken as part of the Council's overall Treasury Management Strategy.

10. ENVIRONMENTAL IMPLICATIONS

10.1 The capital works programme continues to provide more sustainable measures to improve the thermal efficiency of Council housing stock, through more efficient window replacement programmes, insulation, boiler replacements and air source heat pumps. Through the work undertaken by the Greener Housing Task and Finish Group and the emerging Greener Housing Strategy, the Council is committed to undertaking more sustainable measures year on year including through the retrofitting of its stock.

10.2 All products used in the repair, maintenance and improvement of Council homes are selected to ensure the minimum impact upon the environment and at the same time balance the need to improve the energy efficiency of tenants' homes in order to meet the requirement for thermal efficiency under the Decent Homes Standard.

11. CRIME AND DISORDER IMPLICATIONS

11.1 Many aspects of work identified in this report will improve the security of tenants' homes.

12. EQUALITY AND DIVERSITY IMPLICATIONS

12.1 All equality and diversity implications will be considered at every stage of the process of commissioning and carrying out planned maintenance, improvement and cyclical maintenance works. In addition, any contractor used for works will have been assessed, as part of the process in becoming an approved NFDC contractor, in respect of their adherence to equality and diversity principles.

13. TENANTS' VIEWS

13.1 Nobody likes to see the rent go up, but once the report and strategy were explained clearly, it would seem the figures are understandable.

13.2 The TIG were pleased to see a positive strategy going forward in respect of maintaining housing stock to a high standard. They also felt it was positive to see that some of the older communal buildings are having refurbishment work carried out and being brought up to a high standard, in respect of fire / building safety. The group were pleased to see the maintenance budget hadn't been cut, even though materials, equipment and other costs had gone up considerably over the last year.

13.3 The TIG feel the HRA report shows a good degree of prudence and consideration and the increases are fair, balanced, and reasonable.

14. HOUSING & HOMELESSNESS OVERVIEW AND SCRUTINY PANEL COMMENTS

14.1 The Panel considered the HRA budget and housing stock capital expenditure for 2023/24. Members of the Panel noted the proposed increase in rent. It was recognised that the social and shared ownership rent had been increased in accordance with Government guidelines. There was an acceptance that the recommendations in the report sought to maximise HRA income and that this was necessary given the current financial pressures on the HRA.

15. PORTFOLIO HOLDER COMMENTS

15.1 The Portfolio Holder welcomes the £10.1million provision for planned maintenance and improvement works set out within the report, ensuring that the Council continues to invest in its housing stock and provide tenants with quality, well maintained homes. The predicted £150,000 net operating deficit relating to non-recuring expenditure for 2023/24 is noted, as is the financing of this from earmarked reserves. The Portfolio Holder supports the recommendations set out within the report.

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Background Papers:

Published documents as referred to within this report.

HOUSING REVENUE ACCOUNT BUDGET

	2022/23 £'000	2023/24 £'000	Variation £'000	Para
INCOME				
Dwelling Rents	-28,414	-30,227	-1,813	4.2
Non Dwelling Rents	-672	-720	-48	4.3
Charges for Services & Facilities	-732	-849	-117	4.4
Contributions towards Expenditure	-60	-60	0	4.5
Interest Receivable	-58	-378	-320	4.5
Sales Administration Recharge	-33	-33	0	4.5
Shared Amenities Contribution	-256	-286	-30	4.5
TOTAL INCOME	**-30,225**	**-32,553**	**-2,328**	
EXPENDITURE				
Repairs & Maintenance				
Cyclical Maintenance	1,196	1,640	444	5.2
Reactive Maintenance	3,648	4,456	808	5.2
Supervision & Management				
General Management	6,209	7,132	923	5.3
Special Services	1,377	1,846	469	5.4
Homeless Assistance	91	144	53	5.4
Rents, Rates, Taxes and Other Charges	81	89	8	5.5
Provision for Bad Debt	150	150	0	
Capital Financing Costs - Interest/Debt Management	4,198	4,522	324	5.6
TOTAL EXPENDITURE	**16,950**	**19,979**	**3,029**	
HRA OPERATING SURPLUS(-)	**-13,275**	**-12,574**	**701**	
Contribution to Capital - Supporting Housing Strategy	9,120	9,700	580	5.7
Capital Financing Costs - Principal	4,355	3,024	-1,331	5.8
HRA Total Annual Surplus(-) / Deficit	**200**	**150**	**-50**	
Use of Reserves for Major Projects	**-200**	**-150**	**50**	5.3
HRA TOTAL ANNUAL SURPLUS(-) / DEFICIT	**0**	**0**	**0**	

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Appendix 2

2023/24 - 2026 MAINTENANCE BUDGETS

CYCLICAL MAINTENANCE	2023/24	2024/25	2025/26
Cyclical External Cleaning and Decoration	200,000		
Applicance servicing (including gas, oil, solid fuel)	980,000		
Lift Servicing	90,000		
Fire Alarm Servicing	70,000		
Portable Appliance Testing	4,000		
Cyclical Internal Decoration	100,000		
Fire Risk Assessments	25,000		
Air Source Heat Pump Servicing	1,000		
Legionella Testing	22,000		
Automatic Door Servicing	20,000		
Window Cleaning	21,000		
Emergency Lighting	71,000		
Miscellaneous	36,000		
TOTAL CYCLICAL MAINTENANCE BUDGET	**1,640,000**	**1,722,000**	**1,756,000**

PLANNED MAINTENANCE & IMPROVEMENTS	2023/24	2024/25	2025/26
Kitchen Modernisations	700,000		
Bathroom Modernisations	700,000		
Heating - domestic gas boiler replacements	881,600		
Heating - electric heating replacement	100,000		
Commercial Boiler replacement	295,000		
Electrical Works	499,800		
Low Maintenance Eaves	100,000		
External Doors and Windows	1,000,000		
Roofing	830,000		
Fire alarm upgrades	100,000		
Structural Works	300,000		
Asbestos surveys and removal	100,000		
Garages	200,000		
Telecare Upgrade	63,000		
Miscellaneous PPM	630,600		
Green housing initiatives	1,260,000		
TOTAL PLANNED MIANTNENACE & IMPROVEMENT BUDGET	**7,760,000**	**8,000,000**	**8,200,000**

ROBERTSHAW HOUSE, LYNDHURST	2023/24	2024/25	2025/26
Internal and external refubishment/improvement works	500,000	0	0
TOTAL ROBERTSHAW HOUSE BUDGET	**500,000**	**0**	**0**

ESTATE IMPROVEMENTS	2023/24	2024/25	2025/26
Provision of estates works and paving	200,000	200,000	200,000
TOTAL ESTATE IMPROVEMENTS BUDGET	**200,000**	**200,000**	**200,000**

TOTAL FORECAST MAINTENANCE EXPENDITURE	2023/24	2024/25	2025/26
TOTAL EXPENDITURE	**10,100,000**	**9,922,000**	**10,156,000**

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Appendix 3

MEDIUM TERM FINANCIAL PLAN - HOUSING REVENUE ACCOUNT

	Budget 2023/24 £'000	Forecast 2024/25 £'000	Forecast 2025/26 £'000
INCOME			
Dwelling Rents	-30,227	-32,041	-32,681
Dwelling Rents - Growth	0	-50	-150
Non Dwelling Rents	-720	-756	-771
Charges for Services & Facilities	-849	-891	-909
Contributions towards Expenditure	-60	-60	-60
Interest Receivable	-378	-283	-202
Sales Administration Recharge	-33	-33	-33
Shared Amenities Contribution	-286	-300	-306
TOTAL INCOME	**-32,553**	**-34,414**	**-35,113**
EXPENDITURE			
Repairs & Maintenance			
Cyclical Maintenance	1,640	1,722	1,756
Reactive Maintenance	4,456	4,679	4,772
Supervision & Management			
General Management	7,132	7,331	7,478
Special Services	1,846	1,938	1,977
Homeless Assistance	144	151	154
Rents, Rates, Taxes and Other Charges	89	93	95
Provision for Bad Debt	150	150	150
Capital Financing Costs - Interest/Debt Management	4,522	4,789	5,029
TOTAL EXPENDITURE	**19,979**	**20,854**	**21,412**
HRA OPERATING SURPLUS(-)	**-12,574**	**-13,561**	**-13,701**
Contribution to Capital - supporting Housing Strategy	9,700	10,185	10,389
Capital Financing Costs - Principal	3,024	3,376	3,312
HRA Total Annual Surplus(-) / Deficit	**150**	**0**	**-0**
Use of Reserves for Major Projects	**-150**	**0**	**0**
HRA TOTAL ANNUAL SURPLUS(-) / DEFICIT	**0**	**0**	**-0**

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Appendix 4

Housing Revenue Account 30 Year Business Plan

1. Introduction

This report presents a baseline summary of the Housing Revenue Account.

This report summarises expenditure, investment, capital financing and borrowing projections in respect of New Forest District Council's housing operations over a 30 year period, starting in 2022/23. The report presents a baseline position that reflects the authority's best available data and assumptions at the current time. The baseline allows for inflationary pressures impact on budgets and programmes from 2023/24. It also assumes a continuation of existing Central Government rent policy, after applying a 7% cap to the maximum rent increase for existing tenants in 2023/24.

The report then demonstrates the impact on the baseline position by applying two separate alternative scenarios which are proposed in the proposed rent policy:

1. Adopting a policy of re-letting vacant properties at the formula rent
2. Further adopting the use of rent flexibility

These scenarios are intended to illustrate potential changes to the baseline, which may flow from policy decisions. They do not constitute a full stress test of the authority's position but demonstrate how changes to income changes affordability, balances and debt repayment positions.

2. Baseline projections

2.1. Baseline assumptions

The baseline assumptions reflect the revised 2022/23 revenue budget, draft 2023/24 budget and medium-term projections for capital and revenue. Other information and assumptions that have been used in preparing this baseline projection include:

- The authority's medium term HRA capital programme
- Updated information on the authority's programme for developing and acquiring new dwellings over the medium term
- Data from the right to buy pooling returns that the authority submits to DLUHC
- An assumption that the authority sells 23 homes a year under the right to buy
- The authority aims to maintain a minimum HRA balance of £1.000m, adjusted for inflation
- Any sums generated by the HRA that are in excess of the minimum balance are made available to pay for the capital programme or to repay debt
- Actual rents increase up to the maximum rate currently permitted by the rent standard. Due to the rent cap, the maximum rent increase for existing tenants in 2023/24 has been set at 7% for general needs housing. Under the current policy statement an increase of CPI +1% is expected to apply until 2024/25. The government plans to consult separately on rent increases from 2025/26. While the Council awaits this consultation a prudent assumption that rent increases will be limited to a CPI uplift from April 2025 has been applied.
- Formula rents increase at CPI +1% in 2023/24 and 2024/25, in line with the rent standard and government policy statement. As for actual rent increases, it has been assumed that formula rents increase in line with CPI from 2025/26, pending consultation by government.
- In 2022/23 the authority re-lets 5.5% of its social rent stock (277 units in 2023/24) at formula rent, with future relets in the same proportion.
- Depreciation costs have been estimated in line with the authority's budget, uplifted for inflation at RPI.
- Inflation has been applied as follows:
    - Underlying inflation for 2023/24 is linked to the inflation rates for September 2022, as published by the Office for National Statistics, and the house price index published by HM Land Registry for August 2022.
    - CPI at 5.2% in the final quarter of 2023, based on projections prepared by the Bank of England and published in the November 2022 monetary policy report. This rate has been used to reflect underlying inflation for 2024/25. From 2025/26 onwards it is assumed CPI runs at 2% pa.
    - RPI tracks at CPI +1%
    - General management and special management cost increase by 5% and 7% respectively for 2023/2, then reflect underlying CPI.
    - Building costs increase by 25% over the three years to 2025/26 (after allowing for inflation already built into the authority's budgets), then continue to increase at RPI. This affects spending projection for day to day repairs and maintenance, major works to existing homes and the provision or acquisition of new homes.
    - Other costs in the capital programme have been inflated by CPI.
- Major works and component replacements are treated as 100% variable from 2025/26. These costs have an element that flexes to reflect increases and reductions in the housing stock.

- At the start of the planning period HRA debt includes internal borrowing from the Council of £5.874m. It is assumed the HRA would make repayments from this debt until 2024/25, in line with its medium term financial plan. From 2025/26 onwards it is assumed that the authority would not reduce this internal debt further.
- The projections assume an interest rate of 3.8% would be charged on all new external loans, with 0. 5% interest payable on internal borrowing

In preparing this projection it is assumed that the HRA would attempt to repay any additional external borrowing that it undertakes as quickly as possible. Our reason for making this assumption is that it gives a clearer indication of how well the HRA can service and repay any borrowing that is required to deliver its long term capital programme. Any actual borrowing undertaken by the authority would be subject to the prevailing market conditions and guidance received from the authority's treasury advisors.

2.2. Gaps in the data and potential risks

There are gaps in the data available to the authority, which have required us to make assumptions about future expenditure in key areas. The two principal gaps identified relate to:

- The profile of component replacements required for the existing stock
- the scale of EPC-C and decarbonisation works required to the existing stock

The profile of component replacements required for the existing stock is normally generated from a stock condition survey. A full stock condition survey is underway with a target completion of January 2024.

At the moment, every authority's assessment of the decarbonisation works required to its existing stock is a developing area, and estimated costs can vary substantially as the specific requirements emerge. In estimating costs data from the authority's Greener Housing Strategy work has been used, which currently represents the best available information. However, these assumptions will be updated in due course as the Greener Housing Delivery Manager progresses their work to identify a programme for EPC-C and decarbonisation works.

Other key risks include:

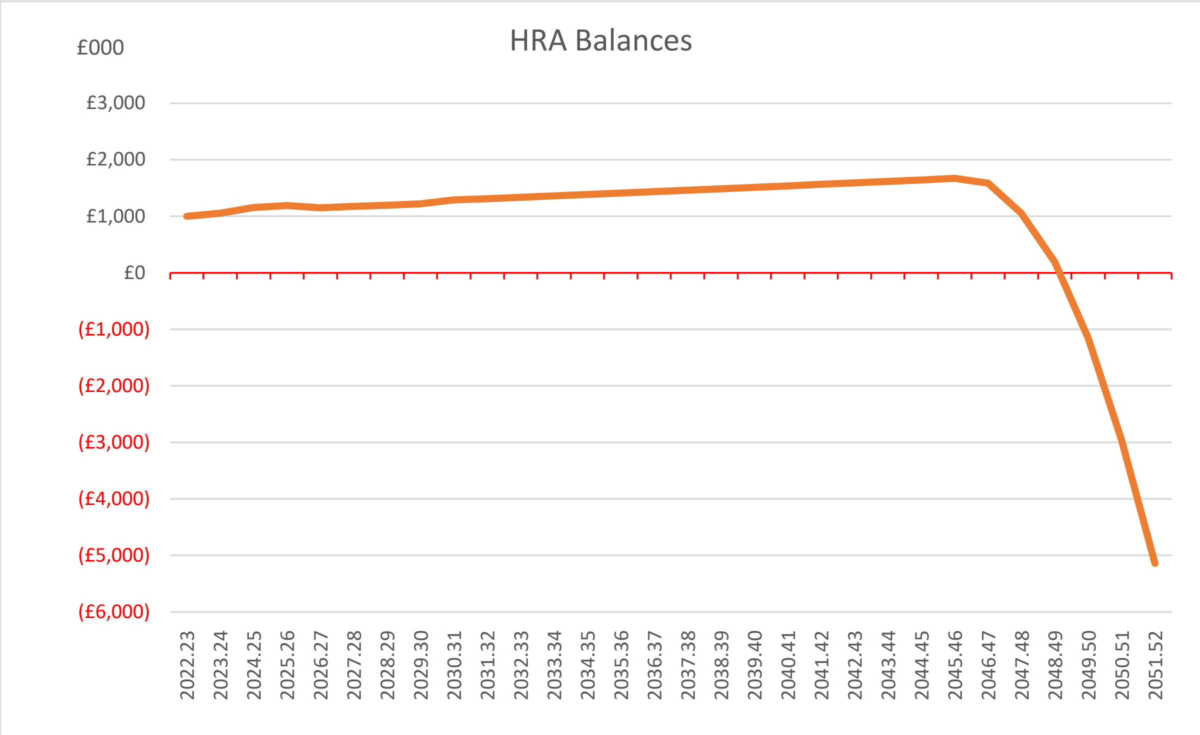
- fluctuations in the underlying rate of inflation, which can impact on both costs and income
- further constraint imposed on rent increases by government, or by the authority itself
- increases in the costs of works and services that are not matched by increases in income
- changes to underlying interest rates
- absence of compiled information on stock condition and future component replacements

The effects of the baseline assumptions are shown in the following sections.

2.3. Baseline - revenue position

In the chart below the orange line projects the cumulative HRA balance at the end of each year.

The chart therefore shows the authority's ability to maintain a minimum level of balances during the 30 year period covered by the baseline projection:



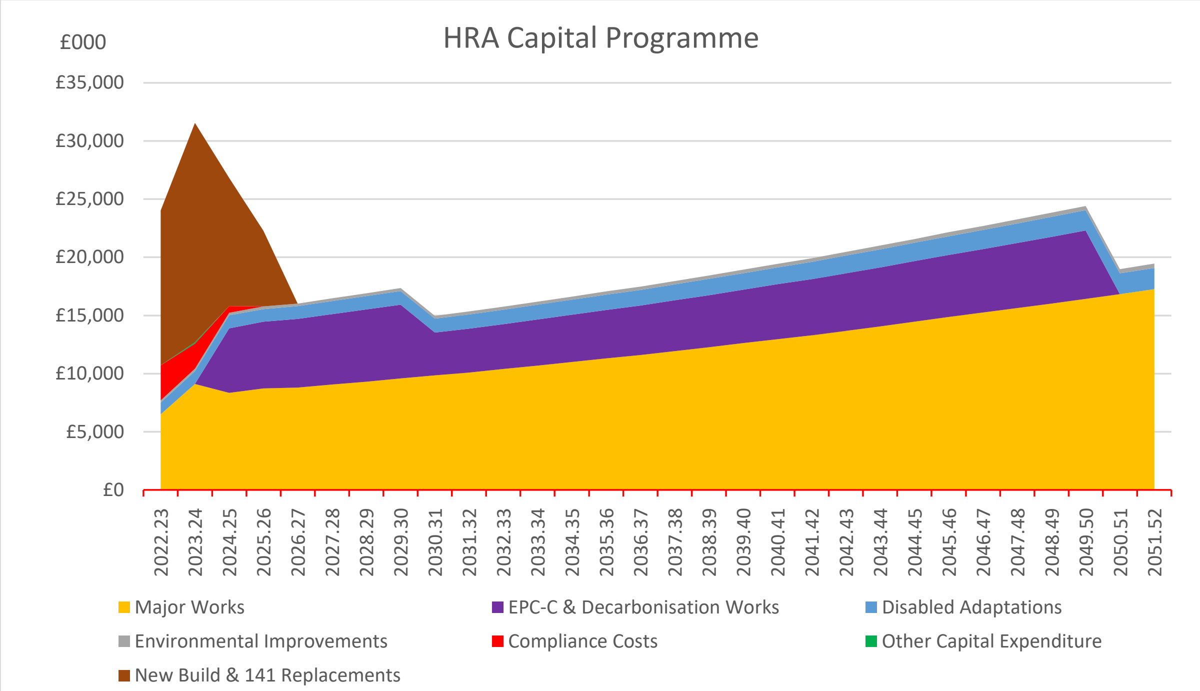
In this chart the orange line projects the cumulative HRA balance at the end of each year.

The authority maintains its minimum HRA balance of £1.000m (plus inflation) until 2045/46. During this period, any "spare" rents generated are used to pay for capital projects or to repay debt. Without further mitigating actions from 2046/47, spending pressures on the HRA prevent it from maintaining the minimum balance and the position deteriorates, causing the HRA to fall into deficit from 2049/50. By the end of the period the deficit grows to £5.140m.

It would be unlawful for the authority to budget for a deficit on its HRA. This chart indicates that the baseline assumptions require action to mitigate the situation to ensure a financially sustainable HRA over the long term.

2.4. Baseline -capital programme

The next chart shows the scale and composition of the authority's projected capital programme:



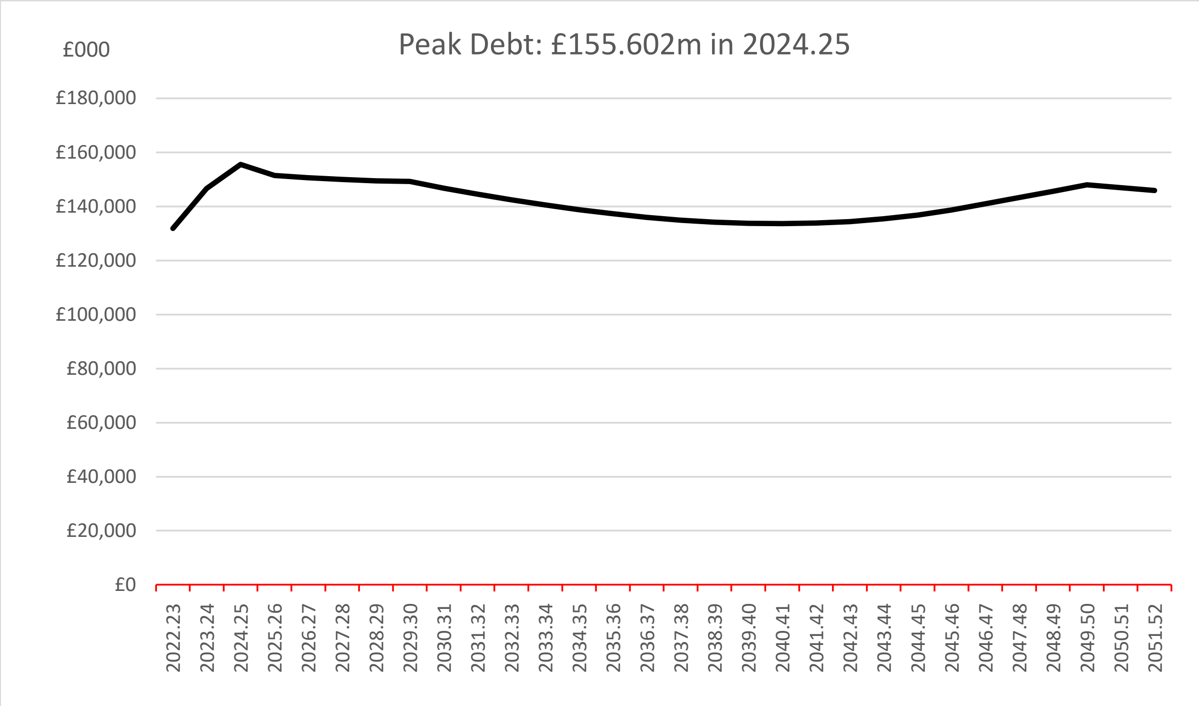
This programme includes projects for new build and stock purchase that produce 188 new properties between 2022/23 and 2025/26 (brown area) to meet the Council's commitment to deliver 600 units of social housing.

The yellow area allows for investment required on stock condition, based on projected expenditure levels in 2024/25. The purple area shows an allowance for improving energy efficiency of existing homes to EPC level C standard by 2030, plus wider decarbonisation works by 2050. The total amount of investment in the above chart steps down in 2030/31 and in 2050/51, at the conclusion of the EPC-C and wiser decarbonisation programmes.

The average annual cost of major works at current prices, averages £1,203 per existing unit over 30 years (excluding EPC-C and decarbonisation works). While this is consistent with the "rule of thumb" range of between £1,200 and £1,300 per unit that some other authorities have used, this is not based on a detailed assessment of stock condition. As a result, the projections do not allow for the profiling of any future, and amended, planned component replacement programmes Which will be updated once projections are established from the Stock Condition Survey programme.

2.5. Baseline – debt

The next chart projects movements in the level of HRA debt during the planning period:



On these assumptions, the authority is unable to finance its capital programme entirely from its Major Repairs Reserve, revenue surpluses generated by the HRA and projected right to buy receipts. This causes the HRA to rely on borrowing to part-finance the HRA capital programme until the decarbonisation programme ends in 2049/50.

HRA-related debt is projected to rise to a peak of £155.602m in 2024/25, which is the year after peak delivery for the current development programme. From 2025/26 onwards HRA-related debt gradually reduces until it reaches £133.660m 2040/41. However, from 2041/42 the authority needs to resume borrowing to deliver its capital programme, with total debt climbing back to £148.027m in 2049/50, which coincides with the end of the decarbonisation programme. Over the last two years the requirement for debt finance reduces, with debt falling slightly, to £145.927m by the end of 2051/52.

The HRA can repay little of the peak debt required to deliver the authority's baseline capital programme by the end of the projections. This is caused by the combined effects of additional spending pressure (through the effects of cost inflation) and constraint on rents (due to the 2023/24 rent cap and an expectation that increase from 2025/26 would reflect CPI, instead of CPI +1%).

2.6. Baseline – summary

The baseline assumptions produce a position that looks affordable over the medium term, but deteriorates from mid-plan. The HRA can use borrowing to increase the number of units over the medium term, but it is unable to service and repay that debt over the long term, unless further corrective action is taken.

The projections also indicate some potential risks, which the authority needs to manage. These include:

- Additional costs projected by the stock condition data.
- Assumptions around the costs of decarbonisation works are based on partial information and will be influenced by a developing market. Consequently, there is a risk that the authority could be understating the levels of investment required in these areas, which in turn could affect the affordability of future plans.
- While prudent assumptions about future government policy on social rents have been made, we currently await details of the approach that will be taken from 2025/26. Any reduction in future rent levels would have an adverse impact on the financial capacity of the authority's HRA.
- Failure on the part of the Council to maximise rental income or minimise the costs that are charged to the HRA would impact negatively on the financial health of the HRA

The baseline HRA projections suggest that the authority retains insufficient "wriggle room" to respond to emerging risks and pressures over the long term. The Council will need to take action to minimise its exposure to these risks. Where possible, spending pressures should be contained within the levels of income growth the authority can achieve from rents and other charges.

3. Scenarios

3.1. Scenarios tested

The alternative income scenarios proposed and their respective impact on the baseline position are outlined below.

Scenario 1 – re-letting vacant dwellings at the formula rent

The authority currently re-lets dwellings at the rent paid by the previous tenant, and that the rent most tenants currently pay is at or near the formula rent for their home.

The government's updated policy statement for rent increases from 2023/24 means that rents for existing general needs tenants will subject to a maximum increase of 7% in April 2023, and that the formula rent for a dwelling will not be subject to a cap and would increase by 11.1%, which is in line with CPI. This means that formula rents for 2023/24 will increase by much more than the actual rent a tenant pays, and that most tenants will be paying less than the formula rent.

The government policy statement on social rents expects authorities to relet homes for social rent at the formula rent set for that dwelling. If it were to do so, the authority would be able to recover some of the rent lost by the application of the 7% cap on rent increases in 2023/24 as dwellings are re-let in future years. Scenario 1 indicates the effects of making this change to the authority's rent policy.

For Scenario 1 it is assumed that 5.5% of the social rent stock would be re-let at the formula rent in 2023/24 (277 units), with the same proportion of dwellings below the formula rent being re-let in each subsequent year.

Scenario 2 – adopting the use of rent flexibility

Rent flexibility is available to the authority under the government's policy statement and the rent standard. It permits a social landlord to charge up to 5% more than the formula rent for a general needs social rent property (or up to 10% more for supported housing). In order to apply rent flexibility, the authority must have a rationale for doing so, which takes into account local circumstances and is affordable to tenants. It also needs to consult with tenants.

Scenario 2 takes Scenario 1 a step further and models the impact of adding rent flexibility to a policy of re-letting units at the formula rent. For the purposes of this exercise, Scenario 2 assumes that rent flexibility of 5% is applied to all new social rent dwellings delivered, plus 9% of re-lets where the Council has invested over £40,000 to repair the property or where the property has been part of decarbonisation upgrade programmes.

3.2. Further testing

The scenarios tested are simply designed to provide an indication on key policy decisions that the authority may wish to make during its forthcoming budget-setting process.

The Council will need to regularly review its assumptions on inflation and interest rates, while updating expenditure assumptions to reflect its in-year monitoring of budgets and programmes.

Adopting a rigorous approach to stress testing the authority's HRA will help it to identify the effects of potential risks at an early stage, test its response and take appropriate action to eliminate or mitigate the risk.

3.3. Scenario results

The table below summarises the effects of each scenario on the health of the HRA Balance at 10 year intervals during the projections. These are shown alongside the results produced by the baseline position:

Scenario/ Sensitivity	HRA Balance			
	2022.23 £000	2031.32 £000	2041.42 £000	2051.52 £000
Baseline	£1,001	£1,310	£1,564	-£5,140
Relet at Formula Rent	£1,001	£1,324	£1,597	£1,986
Relet at Formula Rent + Rent Flexibility	£1,001	£1,326	£1,602	£1,994

Reletting vacant dwellings at the formula rent (Scenario 1) improves the operating surplus and allows the authority to maintain a minimum balance on its HRA for the duration of the 30 year projections. If we add rent flexibility (Scenario 2), the authority uses the additional income generated to repay debt and continues to maintain balances at the minimum level.

Our next table shows the impact of each scenario on the level of HRA-related debt:

Scenario/ Sensitivity	HRA CFR			
	2022.23 £000	2031.32 £000	2041.42 £000	2051.52 £000
Baseline	£131,882	£144,522	£133,848	£145,927
Relet at Formula Rent	£131,882	£141,007	£118,225	£114,146
Relet at Formula Rent + Rent Flexibility	£131,882	£140,340	£115,656	£108,039

Both scenarios increase the rental income available to the HRA, which improves the ability to repay debt. As a result, the authority has more revenue resource available, which means it is better able to part-finance its capital programme using revenue contributions. When it does have to borrow to finance the capital programme, it needs to borrow less, and the additional revenue resource available means that it can repay the debt more quickly.

If the authority adopts a policy of re-letting units at the formula rent (Scenario 1), its debt after 30 years drops to £114.146m, which is £31.780m lower than the baseline position. If 5% rent flexibility is also added to applicable re-let rents (Scenario 2), the authority can repay more of its external HRA debt within 30 years and is left with HRA related debt of £108.039m.

The following table shows the impact of each scenario on the interest cover performance of the HRA:

Scenario/ Sensitivity	Interest cover ratio			
	2022.23 %	2031.32 %	2041.42 %	2051.52 %
Baseline	172.59%	178.30%	158.11%	102.75%
Relet at Formula Rent	172.59%	193.60%	201.42%	166.52%
Relet at Formula Rent + Rent Flexibility	172.59%	196.33%	209.13%	180.69%

Our final table shows the full impact on the finances of the HRA over 30 years, based on the combined movement in the HRA balance and HRA debt:

Impact over 30 years (Compared with Baseline)	Movement in HRA Balance £000	Increase in HRA Debt £000	Combined Impact £000
Relet at Formula Rent	£7,126	-£31,780	-£38,906
Relet at Formula Rent + Rent Flexibility	£7,134	-£37,888	-£45,022

Both scenarios have a strong positive impact on the HRA over 30 years. If the authority re-lets units at the affordable rent (Scenario 1), the combined benefit of increased balances and reduced debt comes to £38.906m at the end of the period. Adding rent flexibility to re-let units increases this benefit by a further £6.116m after 30 years (a combined positive impact of £45.022m, compared with the baseline).

It is clear from this table that differences the ability to generate additional rental income has a potentially substantial cumulative impact over 30 years. Accordingly, it would be in the financial interests of the HRA to maximise the income it generates from rent each year (while ensuring compliance with the government policy statement), as this maximises the resources available to improve existing homes and deliver new council housing.

3.4. Scenarios – summary

Both of the scenarios improve on the position set by the baseline assumptions. It is clear that increasing the income generated by rents:

- Reduce the authority's reliance on debt finance; while
- increasing the ability to repay debt.

The scenarios presented do not represent a full stress test of the authority's HRA. Stress testing a wide range of potential risks would allow the authority to identify the effects of emerging situations at an early stage, test its response and take appropriate action to eliminate or mitigate the risk.

It is important that the authority takes steps to ensure that it protects the capacity of its HRA to deliver the investment required over the medium and long terms. The two scenarios presented show how it can do this by maximising the rental income it generates. Other steps to consider include:

- Ensuring that service charges are sufficient to cover the costs of the services provided
- Committing to a medium term efficiency programme to maintain downward pressure on operating costs
- Generating additional capital receipts from disposal of appropriate assets on the open market
- Seeking additional external funding (e.g. for decarbonisation investment)
- A combination of the above measures

Appendix 5

CAPITAL PROJECTS REQUIREMENTS WITH FINANCING

PUBLIC SECTOR HOUSING CAPITAL PROGRAMME

		PROJECT REQUIREMENTS £			2023/24 PROJECT FINANCING £				
		2023/24	2024/25	2025/26	Grants & Conts.	Cap Receipts / DC's	Internal/External Borrowing	HRA	HRA Reserves
Fire Risk Assessment Works	HRA	2,000,000	500,000					2,000,000	
Major Structural Refurbishments	HRA	1,000,000	0	0			1,000,000		
HRA - Major Repairs	HRA	7,760,000	8,000,000	8,200,000	560,000			7,200,000	
Robertshaw House		500,000	0	0				500,000	
Estate Improvements	HRA	200,000	200,000	200,000					200,000
Council Dwellings - Strategy Delivery	HRA	15,200,000	15,200,000	15,200,000	3,100,000	2,000,000	8,280,000		1,820,000
Disabled Facilities Grants	HRA	950,000	950,000	950,000					950,000
		27,610,000	**24,850,000**	**24,550,000**	**3,660,000**	**2,000,000**	**9,280,000**	**9,700,000**	**2,970,000**
									27,610,000

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CABINET – 15 FEBRUARY 2023

PORTFOLIO: FINANCE, INVESTMENT AND CORPORATE SERVICES / ALL

MEDIUM TERM FINANCIAL PLAN AND ANNUAL BUDGET 2023/24

1. Recommendations

1.1 Cabinet is asked to recommend to Council that:

1.1.1 there is a General Fund Net Budget Requirement in 2023/24 of £22,468,250, as set out in appendices 5a - d to this report;

1.1.2 the New Forest District Council Band D Council Tax for 2023/24 shall be £193.99;

1.1.3 the General Fund Capital Programme for 2023/24 of £15.031 million, as set out in appendix 6 to this report be approved; and

1.1.4 the proposed fees and charges as included at appendix 7 to this report be approved.

2. Purpose of Report

2.1 To consider the development of the Medium Term Financial Plan, set the General Fund revenue and capital budgets for 2023/24 and set the level of Band D Council Tax.

3. Background

3.1 On 7 September 2022 and 7 December 2022 the Cabinet considered a number of issues through the established Medium Term Financial Plan reporting that would affect the annual budget for 2023/24.

3.2 The figures as included in the September and December MTFP reports were based on latest information available at that time, before the provisional local government finance settlement had been released and before various new funding measures had been announced as part of the Government's pledge to support Local Government from the ongoing financial issues facing the sector as a whole. **The financial assumptions in this paper are based on the provisional finance settlement for 2023/24.**

3.3 The Medium Term position to 2026/27 forecasts a budget deficit of £1.324 million. The MTFP includes options to close the gap, including the ongoing crystallisation of new income, and the delivery of savings and efficiencies in order to enable investment in services and priorities and protect frontline service delivery to the Community. A specific senior management group will focus on the Council-wide approach to opportunity and efficiencies across assets, services and our way of working. This stronger framework will ensure the Council remains well placed to invest in services and continue to deliver a balanced budget over the Medium Term Period.

3.4 In accordance with the Council's financial strategy this report sets out the final proposals for:

- The General Fund Net Budget Requirement for 2023/24

- A level of Council Tax for 2023/24
- The Medium Term Financial Plan to 2026/27
- The General Fund Capital Programme for 2023/24

3.5 The Autumn ‘22 Statement announced additional funding of up to £2.8 billion in 2023-2024 in England and £4.7 billion in 2024-2025 for social care and discharge. This includes £1 billion of new grant funding in 2023-24 and £1.7 billion in 2024-25 and further flexibility for local authorities on council tax. A policy paper released in December 2022 set out the Government’s intentions for the local government finance settlement for the next 2 years, and introduced a new funding guarantee of a 3% increase to core spending power before an annual Council Tax increase is taken into account. This was positive news to the sector, but is only supported once again with a 1 year settlement in December 2022 for 2023/24.

3.6 The Council has protected itself against any immediate financial challenge that might come about as a result of Levelling Up and Fair Funding Reform, through the inception and accumulation of a Budget Equalisation Reserve. It is business rate growth of c£3m as included within the Council’s MTFP each year that is most at risk in any revised finance settlement formulae. Transitional funding is expected, but quantum and longevity are yet to be determined.

3.7 The Bank of England have increased interest rates throughout 2022, and latest CPI inflation has hit 10.7% in November. Consumers, including the Council, are seeing the price of every day goods increase, and this is especially prominent in utilities, in part driven by an increase in global demand on the wholesale market. This important context is not forgotten when balancing the needs of the Council to cover its own expenditure pressures to deliver services to residents, and the proposed levels of Council Tax.

4. Financial Strategy

4.1 The Council’s financial strategy for 2023/24 includes:

- The setting aside of additional financial resources to facilitate the delivery of key Corporate Plan objectives
- The establishment of a senior management group to ensure delivery of projects, efficiencies, income and savings to protect the delivery of frontline services provided to the Community
- The maximisation of income, including reviews of fees and charges
- Supporting investment in infrastructure and services through the prudent use of its reserves
- Sufficient and appropriate level of reserves are available during the period of the Medium Term Financial Plan to safeguard frontline services; and
- An understanding of balancing the needs of service users and council taxpayers.

The budget for 2023/24 is set out in line with this strategy.

4.2 In order to address the forecast deficit to 2026/27, the Council’s financial strategy over the medium term period extends to:

- A broad Council-wide focus on delivery and transformation to identify and deliver a programmed approach to assets, services and ways of working
- Continuation of partnering and collaboration with others to transform service delivery
- The release of accrued short-term reserve balances to assist in the damping of

the Fair Funding Review (and impact this has specifically to retained business rates) as necessary

- The utilisation of reserve balances (and when necessary external borrowing) to invest in assets and assist in supporting a vibrant and robust New Forest Economy, whilst targeting valuable additional income
- Ensuring strategies developed through the corporate framework appropriately feed into the Council's financial strategy; and
- Invest in a Cleaner Greener approach to financial planning and spending.

5. Medium Term Financial Plan – General Fund Budget 2023/24

5.1 The December MTFP set out a forecast deficit position of £532,000 for 2023/24. Thanks to the ongoing delivery of savings and additional income being brought into the Council, coupled with a positive financial settlement for 2023/24, the Council is well placed to be able to set a balanced budget for 2023/24 AND invest to deliver on its key priorities, as outlined within the updated 2021 Corporate Plan AND put sums aside to provide necessary funding for Council-wide transformation and organisational change. As a result of the finance settlement for 2023/24, the Council is set to receive an additional £918,000 in 23/24 compared to earlier forecasts. Business rate retention forecasts have also been updated and are largely in line with the December forecast position. The updated resource summary and budget requirements (both totalling £22.483 million for 2023/24) are provided as appendix 1 and 2.

5.2 Typically, the backdrop of the Council's annual budget process has been in the context of available funding, including Council Tax increases, still failing to meet the additional service costs, let alone enabling a surplus for investment in enhanced activity and delivery. Within the 2022/23 original budget, budgetary provision of £250,000 per annum was included, with a supplementary additional £200,000 in 2022/23. The additional on-going financial resource has been targeted in the following areas;

- **Sustainability**; The Council has employed a dedicated Climate Change manager to lead on the delivery of the Council's Climate action plan
- **Regeneration;** The Council has set aside budget to employ or engage with resource focused on regeneration across the district, with a focus on the Waterside and Town Centres (initially Totton).
- **Local Employment & Economic Growth;** A new post to lead the Council's Economic Development team, and to act as the lead personnel on skills and freeport activities has been allowed for within the Councils establishment.
- **Customer and Employee Communications;** a new post has been included within the Council's Communications team to bolster the Council's capacity in this area.

5.3 The continued positive approach to delivering on the Council's financial strategy, coupled with a good settlement for 2023/24 means the **Council's budget for 2023/24 includes £300,000 that will be invested in enhanced Community Safety provision** across the District, including the introduction of new and enhanced CCTV coverage to broader areas across the District.

5.4 The **proposed budget and updated MTFP also includes the ability for the Council to invest in the Transformation Programme, with £250,000 included annually over the next 3 financial years.** This funding will establish a dedicated team, supported by third party expertise, and will be further supplemented on an invest-to-save basis, with the programme intended to make a significant contribution towards the Councils forecast deficit to 2026/27, and boost overall financial capacity to further target resources to corporate plan priorities.

5.5 The pension fund was in a fully funded position at the time of the 2019 triennial valuation. This valuation set the contribution rates for 2020/21 – 2022/23. The 2022 triennial valuation was also positive, confirming the fund was in overall surplus, to the extent that asset values were higher than scheme liabilities by 7.1%. **The Council will therefore not be required to make an annual deficit payment to the fund between 2023/24 – 2025/26**. Recognising that the fund will have been fully funded over 2 triennial cycles means the Council can use some of these financial resources to relieve pressure on homelessness in 2023/24, and can set aside additional contingency sums to assume a pay-award greater than the core 2% assumption.

5.6 Material changes (greater than £50,000, or worthy of note) that have been made within the budgets in comparison to 2022/23 include;

5.6.1 Pay & Price Increases - £2.180 million to 23/24

- Costs due to Pay Award (including 2022/23 pay award beyond the original assumption anticipated) and incremental progression have totalled £1.710 million (this includes 2% coverage built into the detailed budgets, with a pay award contingency of an additional 2% to occur once over the Medium Term period)
- £320,000 is included within the 2023/24 budget to allow for Inflation, predominately in fuel, utilities and contracts
- A specific inflationary uplift of £150,000 is included to reflect on increased costs of vehicles, as previously reported to the Cabinet.

5.6.2 Budget Adjustments relating to one-off items - £739,000 to 23/24

- On 2 November 2022, the Cabinet received an update report outlining significant increased costs of homelessness during 2022/23. Provision has been allowed for within the Medium Term Financial Plan for continued increased spend in 2023/24 (£1 million), reducing by £750,000 in 2024/25, before returning to 'normal budgeted' levels for 2025/26. The November report confirmed an action plan, and this plan will be closely monitored to ensure the budget provision is keeping in alignment with demand.
- The adopted local plan will result in fluctuating demands on planning resourcing and income over the period covered by this MTFP. The 2023/24 budget assumes additional strategic sites come forward during 2023/24, bringing an additional net income of £80,000 to the Council.

5.6.3 Ongoing Savings and Income Generation - £2.331 million improvement to 23/24

- **Delivery Model Reviews**
  - The boundary review scheduled to take effect from 2023/24 is expected to yield savings in the region of £80,000 per annum.
- **Efficiency Programme and Fees and Charges Yield**
  - Garden and Trade Waste Charges have been reviewed, with new charges forecasting an additional yield of £130,000 to the Council.
- **Strategy Delivery**
  - Net (of MRP) additional investment property income of £520,000 has been added to the budget for 2023/24 reflecting the additional income earned from investments made in 2022/23. £150,000 will be invested in improvements to the Salisbury Road shop parade (Totton) in 2023/24 as a result of the Council's ownership of this asset, affirming the Council's commitment as a responsible landlord with an intention to improve public facing assets.
- **Payback Projects**

  - Payback projects result in additional income / savings totalling £150,000 to 2023/24, and a further £25,000 in 2024/25.
- **Windfalls**
  - A positive 2022 pension triennial valuation will result in a further 3 years of there being no need for the Council to make a deficit contribution towards the pension scheme. The budget held within the General Fund, that had been making a contribution to Capital Programme financing will now be removed.
  - The Valuation Office Agency has conducted one of its regular reviews of rateable values (RV) attributed to hereditaments, with the new RV's coming into effect for 2023. The NFDC Car Parks have been revalued downwards, which has a direct effect to the Business Rates paid by the Council, saving £300,000.

5.6.4 <u>New Budget Requirements and alignment of budget to Priorities - £895,000 to 23/24</u>

- **Investments in Service Delivery and Community Benefit**
  - Corporate Plan Delivery – one-off; The one-off £200,000 budget for 2022/23 has now been removed.
  - Administration Priority – funding of £300,000 for enhanced Community Safety provision across the District has been allowed for within the proposed 2023/24 budget.
  - The General Fund revenue budget will continue to make a valuable contribution over the Medium Term period to Capital Programme financing, with £700,000 assumed in 2023/24, increasing by £400,000 in 2024/25.
  - To deliver on the financial efficiencies and service improvements as highlighted in the outline Transformation Programme, upfront funding of £250,000 per annum over a 3 year period has been allowed for within the Medium Term Financial Plan.
  - A new working budget of £50,000 has been set aside for the Council to begin to build a regeneration programme, following the addition of new resource from the Corporate Plan Priority Delivery funding.
  - The Leadership Review report presented to the Council in October 2022 confirmed a commitment to create additional capacity in the Senior Leadership Team of the Council, and so the relevant increased budget of £104,000 has been allowed for within the 2023/24 General Fund budget.
  - Other new posts allowed for within the 2023/24 budget include;
    - A part-time resource dedicated to Emergency Planning and Business Continuity
    - Investment in a specific procurement and contract management resource targeted within the People, Place and Operations directorate
    - Investment in a Business Analyst resource, to support to delivery of key strategies (including ICT and Transformation) and projects, initially focusing on the Operations area.
    - The continuation for a further 2 years of the Creative and Cultural Development Officer post to be funded by the Council (initially part-funded by the Arts Council)

- **New Budget Requirement**
  - As detailed in previous reporting, proposed changes by Hampshire County Council in recycling income arrangements and waste contamination charges have the potential to impact this Council's budget

in 2024/25 of up to £400k. Work is ongoing with the county council and district councils on a partnership agreement which will detail the new financial arrangements from 2024/25 onwards.

5.6.5 Income Recovery - £40,000 improvement to 23/24

- Parking levels are expected to fully recover to pre-pandemic levels in 2023/24.

5.7 The report and appendices demonstrate that the Council is in a strong position to invest in its services and has planned for a significant level of new income and savings to help absorb the necessary cost increases and realignment of the budget to meet Corporate Plan priorities. However as outlined further in section 6 of this report, there is still work to be done over the period covered by this Medium Term Financial Plan to deliver on, and identify further options to support the production of a balanced budget to 2026/27.

5.8 **Planned use of and contributions to Reserves**

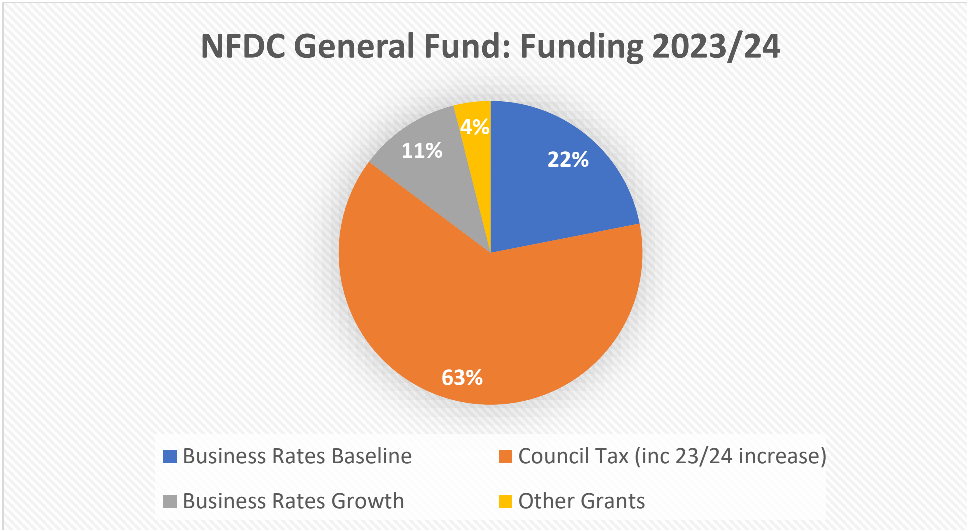
Appendix 5d outlines all movements in reserves actioned in the 2023/24 General Fund revenue budget setting. In summary, the original 2022/23 budget allowed for net transfers from reserves totalling £37,800. In 2023/24, planned net transfers from reserves total £284,060 (including the release of £132,000 of built of reserves to cover the District elections in May 2023).

Section 9 of this report provides a commentary on the level of other useable reserves, over the period covered by this MTFP.

5.9 **Summary of Proposals and Council Tax for 2022/23**

5.9.1 The 2023/24 budget is set in the context of increasing interest rates and high levels of inflation. Estimates have been made on the impact into 2023/24 and over the Medium Term period and will be monitored and reported throughout the new year through the established financial monitoring cycle. The Council's General Fund reserve is maintained at £3 million to support any additional non-funded pressures that may arise, above the budget provisions allowed for.

5.9.2 The General Fund net budget requirement for 2023/24 will be £22.468 million (appendix 5a & 5b), an increase of £1.794 million on the 2022/23 budget requirement. The budget is funded predominantly through Council Tax and Business Rates, with further support coming via central government grants:



5.9.3 **The proposed balanced budget for 2023/24 includes a proposed New Forest district Council Band D Council Tax increase of £5.63 (2.99%), resulting in a New Forest District Precept of £193.99 for the year.**

5.9.4 Out of the overall General Fund Net Budget Requirement in 2023/24 of £22,468,250, the overall cost to be met by council taxpayers will be £14,019,990.

5.9.5 The proposed central support service business unit budgets have been provided at appendix 5c. Due to their nature, these costs end up across several Portfolios and so warrant separate inclusion as part of this budget setting report.

6. The Medium Term Position

6.1 Once again, a 1 year funding settlement has been made by the government leaving uncertainty over the medium term on the potential impact that the ongoing Fair Funding Review and the final design of the business rate retention scheme will have on individual local authorities. Both could have the ability to have a significant weighting on the availability of resources to fund Council services. The LGA and DCN continue to lobby the government on behalf of Local Government on a meaningful longer-term settlement to enable robust medium term financial planning.

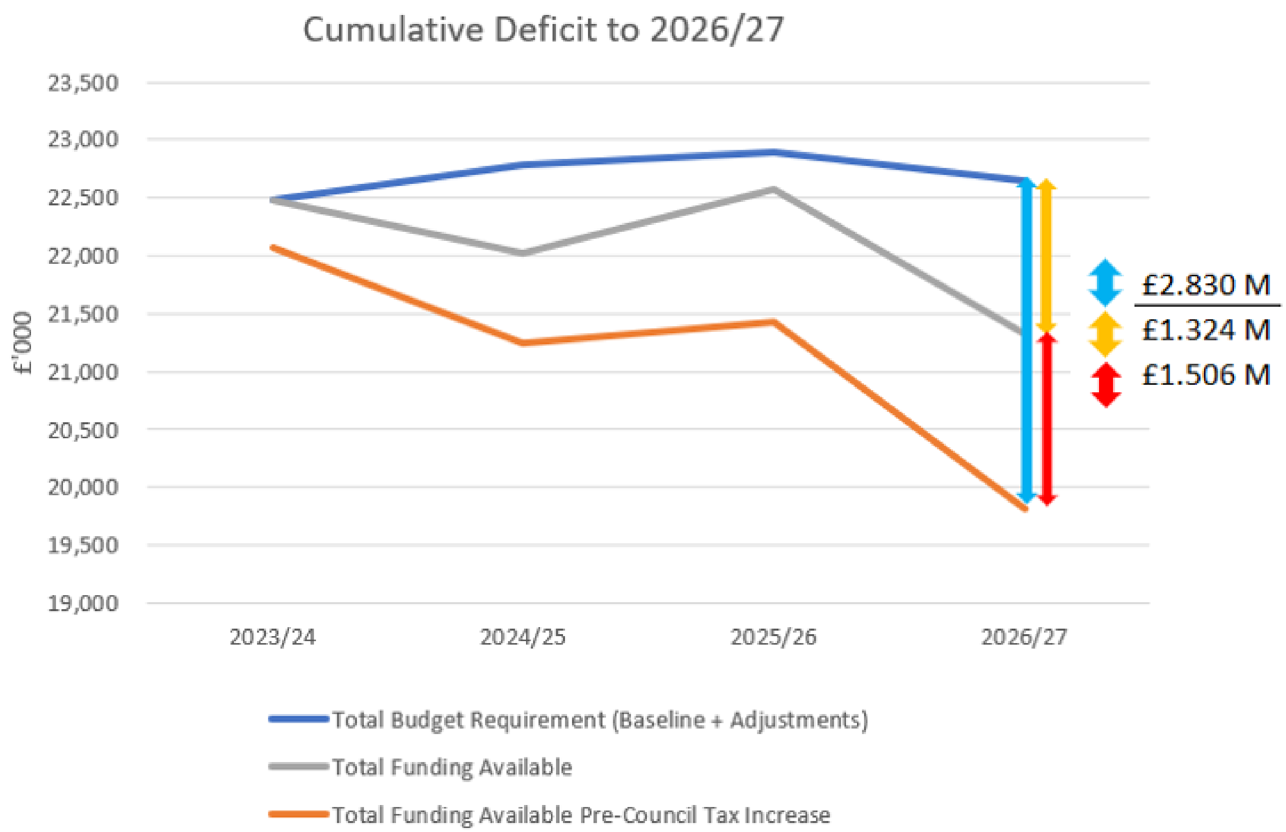
6.2 The 2023/24 settlement introduces some new additional funding to Local government, including this Council, but is only in the context of a 1 year settlement. The Council's reliance on Business Rates as a key funding source continues to be extremely prominent. The Medium Term Financial Plan assumes a significant proportion of the Council's funding is receivable through Business Rate income. Officers of the Council will await any government proposals with regards to changes to the current 50% retention scheme, with current expectation that any form of reset is highly unlikely before the next General Election is held (by January 2025). The impact of a baseline reset is still included within the MTFP as a likely occurrence, but has been pushed back to 2026/27, the last year covered by the MTFP.

6.3 The Medium Term summaries set out over appendices 1, 2 and 3 provide an outlook of the future years' budgets and are set out on a prudent basis using the latest known information. The December MTFP detailed some areas that have the potential to have a significant bearing on the Council's finances over the Medium Term, which are largely unquantified, or unconfirmed, namely;

- Waste Strategy
    - over £11 million included in the Capital Programme, but revenue implications and the relationship with central government funding not yet quantified
- Leisure Centres
    - ongoing significant utilities price pressures at the leisure centres may have an impact on the Council's finances in the short-medium term
- Solent Freeport
    - As the Freeport moves from the designation phase to delivery, the Council will remain engaged and will look to build suitable capacity to ensure the Council's priorities are suitably promoted, in a timeframe consistent to the commencement of the pooled retained rates fund.
- Local Plan Delivery
    - Funds will be withdrawn from the specific local plan reserve, and the balances kept under review
- External Funding Streams (inc. County Deals, central government funds)
    - The Council will seek to maximise regional opportunities with regards to central government led initiatives and funds
- Regeneration
    - A modest working budget of £50,000 has been included in the proposed base budget for 2023/24. It is likely that Capital schemes will come forward in future years.
- Sustainability and Carbon Reduction
    - £250,000 per annum, included within the Capital Programme, with the potential for additional funding requirements, on an invest-to-save basis.

6.4 The Council will continue to work towards the financial strategy as set out in section 4 of this report to ensure the longer-term financial stability of the Council. The current Medium Term Financial Plan deficit to 2026/27 (appendix 2) of £1.324 million will be closed dependant on the;

- successful implementation of the commercial and residential property strategies to bring valuable new sources of additional income into the Council,
- Council-wide focus on delivery and transformation to identify and deliver a programmed approach to assets, services and ways of working,
- Council's ability to maximise its revenues through local taxation (the graph demonstrates below the severity of the budget deficit, IF annual Council Tax increase are not assumed); and
- prudent use of budget equalisation reserves



7. Pay & Reward

7.1 A base pay award assumption of 2% is allowed for within the detailed budget for 2023/24, and throughout the MTFP. Based on high levels of inflation and the level of industrial action taking place across the public sector, there is always potential for settled pay awards to be larger over the short-medium term. A further allowance of £350,000 is placed into the contingency for 2023/24, covering an overall award of upto 3.6%, and a further £100,000 (covering an additional +0.45%) of contingency is allowed for in 2024/25. The Employee Side Liaison Panel will keep abreast of developments on the 2023/24 pay bargaining negotiations as they progress during 2023.

7.2 The Council set aside £300k within the 2022/23 budget to provide funding for a review of local pay and conditions (with concluded proposals agreed through the HR Committee and Council during 2022). The financial commitment demonstrates the Council's understanding that appropriate pay and renumeration are key to the achievement of service delivery standards that the Council strives to achieve.

8. General Fund Capital Programme and Financing

8.1 The Council's proposed General Fund Capital Programme for 2023/24 totals £15.031 million. This does not include the outstanding sums allocated pursuant to the Council's adopted Commercial and Residential Property Strategies.

8.2 The detail at project level and the proposed financing for the 2023/24 programme is detailed in appendix 6. The overall Capital Programme budget will be further supplemented (via 2022/23 Financial Monitoring) with £160,000 of rephasing from 2022/23, as included within the 1st February Financial Monitoring Report.

8.3 The Capital programme includes the New Depot project. The final plans have been submitted to planning for a decision, and the invitations to tender have gone out on the 'Contracts Finder' portal. A full business plan will now be prepared and submitted to the Cabinet.

8.4 Other key elements of the Council's Capital Programme are the Commercial and Residential Property Acquisition and Development Funds. These are not shown in the programme at appendix 6 because of the uncertainty around when funds will be required. The Council has established governance arrangements in place for the approval of funds, with each potential Commercial purchase demonstrating a strong link to supporting employment and the Economy within the District. The in-year financial reporting and updates to the Corporate Overview and Scrutiny Panel provide members with valuable updates on activity in this area.

8.5 A range of Prudential Indicators need to be approved prior to the start of each financial year. The Council's Capital Strategy presented to the Cabinet on 1st February 2023 included the key capital Indicators. The Treasury Management function and Investment Strategy for 2023/24 to 2025/26 were considered by the Audit Committee on 27th January 2023 and have been recommended to the Council for approval.

9. Robustness of Estimates and Adequacy of Reserves

9.1 There are a range of safeguards in place to help prevent local authorities overcommitting themselves financially. These include the Chief Finance Officer's duty to report on the robustness of estimates and adequacy of reserves (under section 25 of the Local Government Act 2003) when the authority is considering its budget requirement (England and Wales).

9.2 The 2023/24 budget has been constructed based on all latest information and considers all factors that will have an implication to 2023/24 that are in the Council's control. Budget variations in relation to high levels of inflation have been considered and included within the budget where appropriate. Income projections are sensible and not overinflated, and the full cost of the Council's staffing establishment is based on latest pay assumptions and is calculated in an appropriate level of detail. Senior Management across the Council engage with the Council's central finance team on the preparation of the detailed budgets, and only budgets that have the backing of senior management make it through to this budget setting report for consideration by members of the Cabinet.

9.3 In setting the General Fund Revenue Budget for 2023/24, the Council is contributing to the financing of the capital programme. The overall reserve transfers are clearly laid out in appendix 5d and are for specific purposes. Appendix 6 details the value of reserves to be utilised in financing the General Fund Capital Programme in 2023/24. The Council's Capital Strategy (Cabinet 1-Feb-2023) takes this further to combine the General Fund and Housing Revenue Account Capital Programmes and details how reserves will be utilised in financing the delivery of these forecast programmes over the medium-term period. Use of reserves is supplemented where appropriate with borrowing, and an assessment is made on the affordability and proportionality of financing charges to the revenue budget.

9.4 The General Fund Balance reserve at £3m is considered to be adequate for 2023/24 considering the overall size of the Council's budget and in the backdrop of a pandemic and high levels of inflation. This reserve balance will be reviewed during 2023/24 to take account of any significant delivery models that change resulting in a shift in retained risk to the Council. Variations in actual performance as compared to budget assumptions are inevitable in an organisation with a turnover as large as the Council's, especially when also considering the diverse range and complexities of services and differing levels of demand on those services throughout a fiscal period. Reserves exist, in particular the General Fund Balance reserve, to provide a cushion for these variations.

9.5 The Council's Chief Finance Officer is satisfied on the robustness of the estimates as included in the budget for 2023/24 and MTFP to 2026/27 and is able to provide assurance on the adequacy of reserves held by the Council.

10. Fees and Charges

10.1 Council Policy is to maximise income from fees and charges, and to ensure that charges are kept under review taking account of inflation and competition (where applicable).

10.2 Portfolio Holders have reviewed and proposed their fees and charges levels across several services for 2023/24 and these are documented throughout appendix 7.

11. Risk Management

11.1 The budget for 2023/24 is based upon best estimates, but uncertainty still remains over the short term linked to high inflation, and over the medium term, particularly surrounding the potential re-design of the Business Rate retention scheme (in replacement of all other central funding). It is vitally important that the Council continues with its prudent financial planning and continues to deliver the required savings/new income over the medium term period.

11.2 The Council provides regular financial monitoring reports, providing valuable updates on the latest forecasts as against original expectations and has £3m in the General Fund Reserve, available to support service delivery budgets. The Council also has a Budget Equalisation Reserve, which exists to smooth out annual fluctuations in Council funding. Within this context, the budget as now presented to Cabinet is considered to be robust and deliverable.

12. Crime and Disorder / Equality and Diversity

12.1 The Council's proposed budget for 2023/24 includes a £300,000 budget allocated towards increased activity focused on Community Safety.

12.2 Over the Medium term, as the Council continually strives to provide quality services at maximum value for money, any potential Crime and Disorder AND Equality and Diversity implications will be covered as and when key decisions are made.

13. Environmental Implications

13.1 The Council's vision to become a more sustainable authority will gather momentum in 2023/24. This is evidenced through the publication of the Climate and Nature emergency action plan, presented to the Cabinet on 1st February 2023. It is envisaged that the £250,000 annual budget allowed for within this report will enable the Council to deliver critical priorities on that action plan and invest in carbon reduction projects and green initiatives. As the Council moves forwards with its climate action plan and longer-term strategy, the Medium Term Financial Plan will be reviewed and further reports brought forward as required.

13.2 The roll out of hybrid working has helped to reduce travelling time for officers across several departments of the Council and has improved the efficiency of a large proportion of office space. The Asset Maintenance and Replacement Programme will see energy efficient lighting installed in more areas of Council buildings and will replace older less economic vehicles with the latest and most up to date models.

13.3 The Council's proposed significant investment in lifecycle replacement fleet will seek to replace older and less economic vehicles and plant with newer more efficient models, utilising alternative fuel, where appropriate.

14. Portfolio Holder Comments

14.1 The Council remains in a robust financial position over the short term with the proposal to set a balanced budget for the financial year 2023/24.

Whist many other councils up and down the country would be delighted to be able to make such a claim we cannot ignore the economic pressures from outside our organisation, such as wage costs and inflation, which indicate that we will face challenges, to maintain that position, over the medium and longer term.

For Further Information Please Contact:

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Section 151 Officer
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Background Papers:

MTFP – Sept '21
MTFP – Dec '21
Financial Monitoring – Nov '21
Financial Monitoring – Feb '22
Asset Maint. & Repl. – Feb '22
Capital Strategy.– Feb '22

APPENDIX 1

MEDIUM TERM FINANCIAL PLAN 2022 - 2026					
	2022/23	**2023/24**	**2024/25**	**2025/26**	**2026/27**
SUMMARY OF RESOURCES	**Original**				
	Budget	**Forecast**	**Forecast**	**Forecast**	**Forecast**
	£'000's	**£'000's**	**£'000's**	**£'000's**	**£'000's**
FUNDING					
Business Rates Baseline	3,997	4,146	4,229	4,314	4,400
Business Rates Baseline Indexing Compensation 22/23	327	327	327	327	327
Business Rates Baseline Indexing Compensation 23/24		379	379	379	379
- Business Rates Retained Surplus	1,858	2,869	2,200	2,200	
Transition Grant / Business Rate Redistribution					400
New Homes Bonus	366	16			
Lower Tier Services Grant **(originally one-off to 21/22)**	179				
Services Grant	276	155			
Funding Guarantee Grant		699			
Contribution to (-) / From Budget Equilisation Reserve					
Total Government Determined Resources	7,003	8,591	7,135	7,220	5,506
Council Tax					
Base from Previous Year	13,117	13,585	14,020	14,484	14,951
Tax Base Adjustment (Additional Properties)	108	30	100	100	100
Annual CT £ / % Increase	360	405	364	367	370
Total Council Tax	13,585	14,020	14,484	14,951	15,421
- Business Rates Collection Fund Deficit(-) / Surplus	199	-390	200	200	200
- Council Tax Collection Fund Deficit(-) / Surplus	253	262	200	200	200
Total Collection Funds	452	-128	400	400	400
TOTAL FUNDING	**21,040**	**22,483**	**22,019**	**22,571**	**21,327**
Cumulative Change from Original 2022/23		1,443	979	1,531	-1,156
%age change		7%	5%	7%	-5%

APPENDIX 2

MEDIUM TERM FINANCIAL PLAN 2022 - 2026				
SUMMARY OF BUDGET REQUIREMENT	2023/24 Forecast £'000's	2024/25 Forecast £'000's	2025/26 Forecast £'000's	2026/27 Forecast £'000's
Baseline Funding 2022/23	21,040	21,040	21,040	21,040
Budget Requirement 2023/24 - 2026/27				
Pay & Price Increases				
Pay Award (assumed 2%)	440	440	400	360
Pay Award (2022/23)	900			
Pay Award Contingency	350	100		
Increments	200	200	175	150
Reversal of National Insurance Increase	-180			
Prices - Insurance, Utilities, Fuel & Maintenance	320			
Prices - Vehicles and Plant	150			
Pay & Price Increases	2,180	740	575	510
Cumulative Pay & Price Increases	2,180	2,920	3,495	4,005
Budget adjustments relating to one-off items				
Increase in Homelessness	1,000	-750	-250	
Homelessness (removal of one-off increase (£165k) to 22/23)	-120			
Planning: Strategic Sites	-80	40	40	
Community Alarms (Income to reclaw £30k adjustment in 22/23)	-10	-10	-10	
One-off increase to Councillor Grants - HM Platinum Jubilee	-24			
Priority Places (one-off to 22/23)	-22			
Increased Glass Income	-30			
Reduction in Rental Income at Queensway	25			
Air Monitoring Contract		37	-37	
Milford Beach Shingle Recharge (3 yr budget top-up from 21/22)		-87		
	739	-770	-257	0
Ongoing Savings and Income Generation				
Delivery Model Review - Electoral Review of the District	-20	-60		
Fees & Charges Yield - Garden & Trade Waste	-130			
Strategy Delivery - Commercial	-470			
Strategy Delivery - Commercial	150	-150		
Strategy Delivery - Residential	-50			
Payback - Car Park Clock Scheme	-150			
Payback - Investment in Digital Services Business Case	-25	-25		
Windfall - Triennial Pension Revaluation	-1,250			
Windfall - 2023 VOA List (NNDR Reductions to NFDC Assets)	-300			
Net Other	-86			
	-2,331	-235	0	0
Cumulative effect of Adjustments and Savings	-1,592	-2,597	-2,854	-2,854

APPENDIX 2 (cont.)

MEDIUM TERM FINANCIAL PLAN 2022 - 2026

SUMMARY OF BUDGET REQUIREMENT	2023/24 Forecast £'000's	2024/25 Forecast £'000's	2024/25 Forecast £'000's	2025/26 Forecast £'000's
New Budget Requirements and Alignment of Budget to Priorities				
Investment in Delivery of Corporate Plan Objectives; one-off funding	-200			
Investment in Delivery of Administration Priority; one-off funding	300	-300		
Investment in Delivery of Capital Programme	200	400		
Investment in Transformation	250			-250
Investment in ICT Strategy to 2024/25				-500
Investment in Waste Strategy Delivery			-100	
Investment in Community Grants	6			
Investment in Senior Leadership (Review) & Support Resource	104			
Investment in Emergency Planning Resource	30			
Investment in Operations Procurement Resource	55			
Investment in Business Analyst Resource	55			
Investment in Arts and Culture Resource	45		-45	
Investment in Regeneration	50			
HCC T19; Waste Disposal Changes		400		
	895	500	-145	-750
Income Recovery				
Parking	-40			
	-40	0	0	0
Cumulative effect of New Requirements and COVID Recovery	855	1,355	1,210	460
Total Budget Requirement (Baseline + Adjustments)	22,483	22,718	22,891	22,651
Total Funding Available (as above)	22,483	22,019	22,571	21,327
Estimated Cumulative Surplus / Shortfall (-)	**0**	**-699**	**-320**	**-1,324**

APPENDIX 3

MEDIUM TERM FINANCIAL PLAN 2022 - 2026

OPTIONS IDENTIFIED TO CLOSE BUDGET SHORTFALL		2023/24 Forecast £'000's	2024/25 Forecast £'000's	2025/26 Forecast £'000's	2026/27 Forecast £'000's
Commercial / Residential Property Investment 2023/24		included in base assumption			
Commercial / Residential Property Investment 2024/25			250	250	250
Commercial / Residential Property Investment 2025/26				250	250
Cumulative Property Investment Income		**0**	**250**	**500**	**500**
Targeted Efficiency / Income Yield Programme		**0**	**333**	**666**	**1,000**
MTFP 24/25 Potential Impacts....					
Potential: Business Rate Changes		**+ / - ?**	**+ / - ?**	**+ / - ?**	**+ / - ?**
Potential: Fair Funding Review		**+ / - ?**	**+ / - ?**	**+ / - ?**	**+ / - ?**
Potential: Waste Strategy		**+ / - ?**	**+ / - ?**	**+ / - ?**	**+ / - ?**
Potential: Tax Raising Flexibilities			**+ / - ?**	**+ / - ?**	**+ / - ?**
Total of the Options Identified		**0**	**583**	**1,166**	**1,500**
Use of Equalisation Reserves (-) / Headroom (to support Capital) +		**0**	**-116**	**846**	**176**
Reserves Supporting the MTFP					
General Fund Balance	3,000	3,000	3,000	3,000	3,000
Budget Equilisation Reserve	2,699	2,429	2,429	2,429	2,429

APPENDIX 4

MEDIUM TERM FINANCIAL PLAN 2022-2026	2022/23	2023/24	2024/25	2025/26
ASSET MAINTENANCE & REPLACEMENT PROGRAMME	**£'000's**	**£'000's**	**£'000's**	**£'000's**
Asset Maintenance				
Health & Leisure Centres (including Equip)	550	500		
Offices, Depots & Outlying Buildings	118	200		
Feasibility Surveys		10		
Deplyable CCTV Cameras		15		
Cemeteries	15			
Contingency	35	65		
	718	**790**	**790**	**790**
ICT Replacement Programme	100	150	150	150
Vehicles and Plant (Depreciation / MRP)	1,312	1,450	1,450	1,450
	2,130	**2,390**	**2,390**	**2,390**
Less: Proportion allocated to HRA	- 230	- 340	- 340	- 340
Total Revenue Programme	**1,900**	**2,050**	**2,050**	**2,050**
ICT INVESTMENT AND THIRD PARTY GRANTS				
ICT Strategy	625	625	625	625
Less: Proportion allocated to HRA	- 125	- 125	- 125	- 125
	500	500	500	500
Community Grants - 'One-off Construction'	85	92	100	100
Total Business Development and Third Party Programme	**585**	**592**	**600**	**600**

APPENDIX 5a

MEDIUM TERM FINANCIAL PLAN 2022-2026

GENERAL FUND BUDGET 2023/24	2022/23 £'000's Budget	2023/24 £'000's Gross Expenditure	2023/24 £'000's Income	2023/24 £'000's Budget
PORTFOLIO REQUIREMENTS				
Business , Tourism and High Streets	297	395	-2	393
Environment and Coastal Services	4,100	11,216	-6,975	4,241
Finance, Investment and Corporate Services	3,778	36,925	-33,272	3,653
Housing and Homelessness Services	2,025	7,913	-4,777	3,136
Leader	496	1,065	-142	923
Partnering and Wellbeing	3,013	5,248	-1,784	3,464
People and Places	3,713	4,890	-807	4,083
Planning, Regeneration and Infrastructure	2,696	4,840	-1,882	2,958
	20,118	72,492	-49,641	22,851
Reversal of Depreciation	-1,589	0	-1,823	-1,823
Contribution to/(from) Earmarked Revenue Reserves	-38	61	-344	-283
NET PORTFOLIO REQUIREMENTS	**18,491**	**72,553**	**-51,808**	**20,745**
Minimum Revenue Provision	1,571	1,876	0	1,876
Contribution to Capital Programme Financing (RCCO)	1,750	700	0	700
Interest Earnings (Net)	-772	0	-837	-837
New Homes Bonus	-366	0	-16	-16
GENERAL FUND NET BUDGET REQUIREMENTS	**20,674**	75,129	-52,661	**22,468**
COUNCIL TAX CALCULATION				
Budget Requirement	20,674	75,129	-52,661	22,468
Less:				
Settlement Funding Assessment				
Lower Tier Services Grant	-179	0	0	0
Services Grant	-276	0	-155	-155
Guarantee Grant (MHCLG)	0	0	-699	-699
Business Rates Baseline	-3,997	31,413	-35,560	-4,147
	-4,452	31,413	-36,414	-5,001
Locally Retained Business Rates	-2,185	2,151	-5,726	-3,575
Estimated Collection Fund (Surplus)/Deficit Business Rates	-199	390	0	390
Estimated Collection Fund (Surplus)/Deficit Council Tax	-253	0	-262	-262
COUNCIL TAX	**13,585**	**109,083**	**-95,063**	**14,020**
TAX BASE NUMBER OF PROPERTIES	**72,122.10**			**72,271.70**
COUNCIL TAX PER BAND D PROPERTY	**188.36**			**193.99**
GENERAL FUND BALANCE 31 MARCH	**3,000**			**3,000**

APPENDIX 5b

MEDIUM TERM FINANCIAL PLAN 2022-2026

ANALYSIS OF GROSS PORTFOLIO REQUIREMENTS

	Employees	Premises	Transport	Supplies and Services	Support Services	Capital Charge	Gross Expenditure	Income	Budget
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
2023/24									
Business, Tourism and High Streets	294	0	0	51	50	0	**395**	-2	**393**
Environment and Coastal Services	6,392	1,114	2,007	1,028	441	234	**11,216**	-6,975	**4,241**
Finance, Investment and Corporate Services	4,886	403	17	31,241	377	1	**36,925**	-33,272	**3,653**
Housing and Homelessness Services	2,195	313	0	5,029	376	0	**7,913**	-4,777	**3,136**
Leader	537	11	3	427	87	0	**1,065**	-142	**923**
Partnering and Wellbeing	2,751	836	0	1,169	462	30	**5,248**	-1,784	**3,464**
People and Places	2,735	725	507	623	203	97	**4,890**	-807	**4,083**
Planning, Regeneration and Infrastructure	3,861	0	0	317	662	0	**4,840**	-1,882	**2,958**
	23,651	**3,402**	**2,534**	**39,885**	**2,658**	**362**	**72,492**	**-49,641**	**22,851**
2022/23									
Business, Tourism and High Streets	209	0	0	51	39	0	**299**	-2	**297**
Environment and Coastal Services	5,503	1,538	1,750	982	425	240	**10,438**	-6,338	**4,100**
Finance, Investment and Corporate Services	4,403	285	21	35,768	399	1	**40,877**	-37,099	**3,778**
Housing and Homelessness Services	1,922	274	0	3,063	365	0	**5,624**	-3,599	**2,025**
Leader	321	7	3	117	51	0	**499**	-3	**496**
Partnering and Wellbeing	2,591	800	0	875	480	31	**4,777**	-1,764	**3,013**
People and Places	2,440	630	447	646	194	82	**4,439**	-726	**3,713**
Planning, Regeneration and Infrastructure	3,515	0	0	270	666	0	**4,451**	-1,755	**2,696**
	20,904	**3,534**	**2,221**	**41,772**	**2,619**	**354**	**71,404**	**-51,286**	**20,118**
Difference in 2022/23 to 2023/24									
Business, Tourism and High Streets	85	0	0	0	11	0	**96**	0	**96**
Environment and Coastal Services	889	-424	257	46	16	-6	**778**	-637	**141**
Finance, Investment and Corporate Services	483	118	-4	-4,527	-22	0	**-3,952**	3,827	**-125**
Housing and Homelessness Services	273	39	0	1,966	11	0	**2,289**	-1,178	**1,111**
Leader	216	4	0	310	36	0	**566**	-139	**427**
Partnering and Wellbeing	160	36	0	294	-18	-1	**471**	-20	**451**
People and Places	295	95	60	-23	9	15	**451**	-81	**370**
Planning, Regeneration and Infrastructure	346	0	0	47	-4	0	**389**	-127	**262**
	2,747	**-132**	**313**	**-1,887**	**39**	**8**	**1,088**	**1,645**	**2,733**

APPENDIX 5c

MEDIUM TERM FINANCIAL PLAN 2022-2026

CENTRAL SUPPORT SERVICE BUSINESS UNITS	Employees	Premises	Transport	Supplies and Services	Support Services	Capital Charge	Gross Expenditure	External Income	Budget
	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's
2023/24									
Human Resources (704)	372	24	2	57	165	0	**620**	-34	**586**
Community & Business Improvement (713)	300	7	0	1	6	0	**314**	0	**314**
Communications (716)	321	9	1	13	28	0	**372**	0	**372**
Legal Services (742)	297	8	1	48	149	0	**503**	-1	**502**
Secretarial Services (724)	258	11	0	7	36	0	**312**	0	**312**
ICT (736)	1,270	38	1	10	146	0	**1,465**	0	**1,465**
ICT Maint./Licences/Phones (738)	0	0	0	1,301	0	0	**1,301**	0	**1,301**
ICT Communications (740)	0	0	0	460	0	0	**460**	-6	**454**
Customer Services (732)	267	12	1	5	68	0	**353**	0	**353**
Courier (722)	27	0	12	0	2	0	**41**	0	**41**
Information Offices (731)	317	133	2	12	20	0	**484**	-6	**478**
Support Services (762)	282	18	0	28	38	0	**366**	0	**366**
Transactional Finance (766)	109	4	0	19	16	0	**148**	-2	**146**
Accountancy (780)	507	18	1	11	145	0	**682**	-28	**654**
Internal Health and Safety (822)	214	5	2	18	15	0	**254**	0	**254**
Hsg Maint - Shared Support Hub (890)	620	50	2	11	82	0	**765**	0	**765**
Hsg Maint - Operations Management (891)	591	61	42	15	49	0	**758**	0	**758**
Site Officers (960)	134	11	0	2	23	0	**170**	0	**170**
Central Procurement (964)	337	7	1	13	37	0	**395**	-1	**394**
Valuers (970)	304	6	3	19	62	0	**394**	-81	**313**
Property Services (976)	220	7	3	6	37	0	**273**	0	**273**
Building Cleaning - Offices (P255)	80	0	0	1	18	0	**99**	0	**99**
	6,827	**429**	**74**	**2,057**	**1,142**	**0**	**10,529**	**-159**	**10,370**

APPENDIX 5d

MEDIUM TERM FINANCIAL PLAN 2022-2026

GENERAL FUND REVENUE BUDGET - MOVEMENT IN RESERVES

	Contribution From(-) / To Reserves in 2022/23	Reserve Transfers not required / possible in 2023/24	Contribution From(-) / To Reserves for 2023/24	Use of (-) / Contributions to reserves in 2023/24
	£'000's	£'000's	£'000's	£'000's
Contribution from Reserves				
District Elections	0		-132	-132
Community Housing Fund	-45		32	-13
Open space Maintenance	-56			-56
Building Control	0		-63	-63
Committed Schemes - Transformation	0		-80	-80
Use of COMF for Env. Health Post	-49		49	0
Arts Council Grant Received in advance	-15	15		0
Rough Sleepers Grant	-77		77	0
	-242	15	-117	-344
Contribution to Reserves				
District Council Elections	44	-44		0
Rough Sleepers Grant	75		-75	0
Lymington STP	20			20
Insurance	0		40	40
Coastal Protection (b/fwd to 20/21)	65	-65		0
	204	-109	-35	60
Total Contribution from (-) / to reserves	**-38**	**-94**	**-152**	**-284**

APPENDIX 6

MEDIUM TERM FINANCIAL PLAN 2022-2026

CAPITAL PROJECTS REQUIREMENTS WITH FINANCING

		PROJECT REQUIREMENTS £				ORIGINAL 2023/24 PROJECT FINANCING £			
	Portfolio	2022/23 £ Budget Revised (Nov. Cabinet)	2023/24	2024/25	2025/26	NFDC Resources / Loan	Better Care Fund	Grant / Income	DC / CIL
Sustainability Fund - Unallocated	LEADER / ALL	300,000	250,000	250,000	250,000	250,000			
Sustainability Fund - Crow Lane Solar Panels	LEADER / ALL	200,000							
UK Shared Prosperity Fund	LEADER / ALL		42,000	181,000				42,000	
Rural England Prosperity Fund	B,T&HS		240,000	300,000				240,000	
Disabled Facilities Grants	HOU (GF)	900,000	1,300,000	1,500,000	1,500,000		1,300,000		
Strategic Regional Coastal Monitoring (22-27)	ENV & COAST	1,775,000	2,631,000	1,811,000	2,216,000			2,631,000	
Strategic Regional Coastal Monitoring (18-21)	ENV & COAST	363,000							
Strategic Regional Coastal Monitoring (12-17)	ENV & COAST	12,000							
Barton Horizontal Directional Drilling Trials	ENV & COAST	50,000	10,000	230,000	15,000			10,000	
Milford Promenade Handrail	ENV & COAST	115,000							
Hurst Spit Beach Shingle Source Study	ENV & COAST	15,000	100,000	35,000				100,000	
Milford Beach and Cliff Study	ENV & COAST		10,000	280,000				10,000	
Waste Strategy Container Roll Out	ENV & COAST		592,000		4,908,000	592,000			
Public Convenience Modernisation Programme	PEOPLE & PL	12,000	300,000	300,000	300,000	300,000			
Public Convenience Refurb Scheme - Lym Quay Enhancem	PEOPLE & PL	230,000							
Public Convenience Refurb Scheme - Barton-on-Sea	PEOPLE & PL	200,000							
Public Convenience - Changing Places - Brockenhurst	PEOPLE & PL		43,000					43,000	
Public Convenience - Changing Places - Ringwood	PEOPLE & PL		112,000					112,000	
Public Convenience - Changing Places - Hythe	PEOPLE & PL		64,000					64,000	

APPENDIX 6 (cont.)

CAPITAL PROJECTS REQUIREMENTS WITH FINANCING		PROJECT REQUIREMENTS £				ORIGINAL 2023/24 PROJECT FINANCING £			
	Portfolio	2022/23 £ Budget Revised (Nov. Cabinet)	2023/24	2024/25	2025/26	NFDC Resources / Loan	Better Care Fund	Grant / Income	DC / CIL
Health & Leisure Centres	PART & WELL	2,014,000							
New Depot Site: Hardley	F,I &CS	500,000	4,875,000	1,625,000		4,875,000			
V&P; Replacement Programme	F,I &CS	1,800,000	3,062,000	1,309,000	996,000	3,062,000			
V&P; Replacement Programme - Waste Strategy	F,I &CS		150,000		5,840,000	150,000			
Smarter Working; Future Delivery	F,I &CS	75,000							
Economic Sustainability & Regeneration Projects	F,I &CS								
- Platinum Jubilee Business Park, Ringwood	F,I &CS	5,667,000	250,000			250,000			
- Station Road, New Milton	F,I &CS	5,500,000							
Open Space Schemes	P&I	730,000							
Mitigation Schemes	P&I	680,000	1,000,000	1,000,000	1,000,000				1,000,000
TOTAL GENERAL FUND CAPITAL PROGRAMME		21,138,000	15,031,000	8,821,000	17,025,000	9,479,000	1,300,000	3,252,000	1,000,000
									15,031,000
LOAN FINANCED					V&P	-3,062,000			
			80% of Economic Regeneration			-200,000			
RESIDUAL NFDC RESOURCES						6,217,000			

ENVIRONMENT & COASTAL SERVICES PORTFOLIO

PROPOSED SCALE OF FEES AND CHARGES FOR 2023/24

With effect from 1st April 2023 (all shown are excluding VAT)				Current Charge 2022/23 £	Proposed Charge 2023/24 £	Increase £	Increase %
REFUSE SACKS							
Domestic Sacks*	**Black**		Per roll (of 26)	5.45	6.50	1.05	19.3
	Clear		Per roll (of 36)	2.10	2.50	0.40	19.0
SPECIAL COLLECTIONS*							
Special Collection (1 item)				34.00	39.00	5.00	14.7
extra items (per item - maximum of eight)				8.50	10.50	2.00	23.5
1 free collection up to 3 items per household claiming benefits							
# 48 hours notice must be given to qualify for refund.							
BEACH HUTS							
Transfer Fee (Sale or Transfer of Private Huts)							
All Sites				400.00	400.00	-	-
Site Rent Residents							
Milford-on-Sea	concrete (per standard hut) per annum			514.67	532.50	17.83	3.5
Barton-on-Sea	Sq. m		up to 5.0	407.11	421.67	14.56	3.6
			5.01 - 7.0	464.89	480.83	15.94	3.4
			7.01 - 12.0	512.89	530.83	17.94	3.5
			12.01 - 14.0	573.33	593.33	20.00	3.5
			14.1 - 16.0	602.67	624.17	21.50	3.6
			over 16.0	632.00	654.17	22.17	3.5
Calshot & Hordle Cliff	Sq. m		up to 5.0	463.11	480.00	16.89	3.6
			5.01 - 7.0	511.11	529.17	18.06	3.5
			7.01 - 12.0	572.44	592.50	20.06	3.5
			12.01 - 14.0	609.78	630.83	21.05	3.5
			14.1 - 16.0	640.89	663.33	22.44	3.5
			over 16.0	670.22	693.33	23.11	3.4
Site Rent Non - Residents							
Milford-on-Sea	concrete (per sta		per annum	684.44	708.33	23.89	3.5
Barton-on-Sea	Sq. m		up to 5.0	608.89	630.83	21.94	3.6
			5.01 - 7.0	645.33	667.50	22.17	3.4
			7.01 - 12.0	686.22	710.00	23.78	3.5
			12.01 - 14.0	722.67	747.50	24.83	3.4
			14.1 - 16.0	752.00	778.33	26.33	3.5
			over 16.0	782.22	809.17	26.95	3.4
Calshot & Hordle Cliff	Sq. m		up to 5.0	637.33	659.17	21.84	3.4
			5.01 - 7.0	684.44	708.33	23.89	3.5
			7.01 - 12.0	746.64	771.67	25.03	3.4
			12.01 - 14.0	788.44	815.00	26.56	3.4
			14.1 - 16.0	818.67	846.67	28.00	3.4
			over 16.0	848.00	877.50	29.50	3.5
COASTAL							
School, College and University Coastal Education Talks							
On site talk by Coastal Engineer*				100.00	100.00	-	-

NOTE: VAT. Charges are exclusive of VAT.
Charges which are zero rated or not subject to VAT are marked * either individually or by service.

HOUSING AND HOMELESSNESS SERVICES

PROPOSED SCALE OF FEES AND CHARGES FOR 2023/24

With effect from 1st April 2023 (all shown are excluding VAT)

Still Water Park Site

Site Licence Fees and Service Charges	2022/23 + September RPI @ 12.6%

NOTE: VAT. Charges are exclusive of VAT.
Charges which are zero rated or not subject to VAT are marked * either individually or by service.

PARTNERING & WELLBEING PORTFOLIO
PROPOSED SCALE OF FEES AND CHARGES FOR 2023/24

With effect from 1st April 2023 (all shown are excluding VAT)		Current Charge 2022/23 £	Proposed Charge 2023/24 £	Increase £	Increase %
Rodent Control					
Domestic Premises	Call out/Survey and up to 3 additional visits #	125.00	137.50	12.50	10.0
	Single additional visit	33.33	37.50	4.17	12.5
Business Premises	Call out and survey	125.00	137.50	12.50	10.0
	Treatment via quote for visits or annual contract	<---Subject to quotation--->			
# 50% reduction to those on recognised benefits (rodent control)					
Insect Control					
Wasps and Hornets - complete treatment		70.83	79.17	8.34	11.8
Call out		70.83	79.17	8.34	11.8
15 mins visit per operative (fleas, wasps, carpet moths and carpet)		18.33	20.83	2.50	13.6
Fleas - carpet moths & carpet beetles - Call Out and single treatment		91.67	100.00	8.33	9.1
Bed Bugs - Call Out and Survey		66.67	75.00	8.33	12.5
Bed Bugs - Treatment		<---Subject to quotation--->			
Stray Dogs*					
Stray dogs - administration charge		50.00	50.00	-	-
Stray dogs - daily kennelling charge		22.00	22.00	-	-
Contaminated Land					
CL Enquiry - Residential premises - per hour		45.00	45.00	-	-
CL Enquiry -Business premises - per hour		45.00	45.00	-	-
Additional research fee charge - per hour		18.75	18.75	-	-
Air Pollution Consent Information					
PPC Pre Application advice (per Hour)		45.00	45.00	-	-
Food Hygiene*					
Food safety re-inspections		195.00	210.00	15.0	7.7
Food export certificates - initial visit		93.00	101.00	8.0	8.6
Food export certificates - per certificate		42.00	46.00	4.0	9.5
Impounding of Livestock					
Fixed penalty per animal			<----------Actual Cost---------->		
Feeding charge per animal per day			<----------Actual Cost---------->		
Drain Clearance/Repair					
Drain clearance/repair (default work)*			<----------Actual Cost of works plus Officer Cost		
Private Water Supplies*					
Sampling	per hour	41.00	41.00	-	-
Analysis Costs					
Small Domestic Supply			<----------Actual Cost---------->		
Check monitoring of large/commercial supplies			<----------Actual Cost---------->		
Audit Monitoring of large/commercial supplies			<----------Actual Cost---------->		
Risk Assessment	per hour	41.00	41.00	-	-
Investigation of water quality failure	per hour	41.00	41.00	-	-
Granting of an authorisation	per hour	41.00	41.00	-	-

NOTE: VAT. Charges are exclusive of VAT.
Charges which are zero rated or not subject to VAT are marked * either individually or by service.

PARTNERING & WELLBEING PORTFOLIO
PROPOSED SCALE OF FEES AND CHARGES FOR 2023/24

With effect from 1st April 2023 (all shown are excluding VAT)	Current Charge 2022/23 £	Proposed Charge 2023/24 £	Increase £	Increase %
CARELINE SERVICES				
One off fee				
Installation (standard)	39.90	43.89	3.99	10.0
Installation (specific time/date)	60.00	64.99	4.99	8.3
Urgent hospital discharge installation	39.90	43.89	3.99	10.0
Call out fee (damage and misuse)	18.60	19.99	1.39	7.5
Lost pendant call out fee	15.50	16.82	1.32	8.5
Lost pendant replacement	50.00	54.25	4.25	8.5
Call out fee - reinstallation & reprogramming of additional sensors added to existing alarm equip	18.60	19.99	1.39	7.5
Equipment disconnection and collection charge	29.33	32.25	2.92	10.0
Wristband annual fee	25.00	25.00	-	-
2 Metre multi socket	4.99	5.49	0.50	10.0
5 metre multi socket	5.75	6.30	0.55	9.6
Service and equipment rental				
Lifeline rental	3.76	4.08	0.32	8.5
Fall detector	1.37	1.49	0.12	8.8
Smoke detector	0.84	0.91	0.07	8.3
Carbon monoxide detector	1.63	1.77	0.14	8.6
Additional pendant	0.72	0.78	0.06	8.3
Wristband	0.47	0.51	0.04	8.5
Safe socket	0.30	0.33	0.03	10.0
Replacement charges for damaged or non-returned units				
Community alarm (400 connect, Vi or Reach)	145.00	157.33	12.33	8.5
Pendant (My Amie or Tynetec)	50.00	54.25	4.25	8.5
Vi or Vibby fall detector	100.00	108.50	8.50	8.5
ID wristband	5.00	5.00	-	-
Alarm unit power supply cable	25.00	27.13	2.13	8.5
Telephone adaptor	5.00	5.43	0.43	8.6
BT cable	9.00	9.77	0.77	8.6
ADSL filter	8.00	8.68	0.68	8.5
Safe socket	10.00	10.85	0.85	8.5

NOTE: VAT. Charges are exclusive of VAT.
Charges which are zero rated or not subject to VAT are marked * either individually or by service.

PEOPLE & PLACES PORTFOLIO

PROPOSED SCALE OF FEES AND CHARGES FOR 2023/24

With effect from 1st April 2023 (all shown are excluding VAT)	Current Charge 2022/23 £	Proposed Charge 2023/24 £	Increase £	Increase %
CEMETERIES*				
The fees shown below are applicable to those who have resided within New Forest District.				
Those who qualify for the Resident Fees will incur the 50% discount. Non-Resident Applicants will incur the Fee in full.				
For a full breakdown of the criteria qualifying Resident Fees please consult the current Cemetery Regulations.				
Interment Fees				
Interment of ashes in cremated remains section	325.00	360.00	35.00	10.8
Interment of ashes in a grave or woodland grave	325.00	360.00	35.00	10.8
* Child (up to and including 17 years). NFDC claim all child-related fees from the Children's Funeral Fund for England. These fees are for information only.	Fee dependent upon interment	Fee dependent upon interment	-	-
Person over 17 years:				
Single / double depth grave	700.00	770.00	70.00	10.0
Single / double depth grave in a traditional kerbed section - within specific sections and cemeteries	890.00	980.00	90.00	10.1
Use of memorial garden	105.00	115.00	10.00	9.5
Burial chamber for uncoffined burials	1,655.00	1,820.00	165.00	10.0
Postponement or cancellation (less than 48 working hours notice)	Interment Fee	Interment Fee	-	-
Burial on Saturday	Interment Fee + 50%	Interment Fee + 50%	-	-
Purchase of Exclusive Right of Burial (EROB)				
Cremated remains section	360.00	400.00	40.00	11.1
Woodland cremated remains section	470.00	520.00	50.00	10.6
* Single depth child grave within the Children's Section. NFDC claim all child-related fees from Children's Funeral Fund for England. These fees are for information only	Fee dependent upon plot type	Fee dependent upon plot type.	-	-
Lawn and woodland sections	885.00	985.00	100.00	11.3
Eling lawn section with memorial ground support	985.00	1,085.00	100.00	10.2
Traditional kerbed section - within specific sections and cemeteries	1,395.00	1,535.00	140.00	10.0
Purchase of a burial plot requiring 2 grave spaces	2 burial plot Fees	2 burial plot fees	-	-
Additional Administration of Exclusive Right of Burial				
Family organised interment - administration	130.00	145.00	15.00	11.5
Location of burial plot selected by purchaser	230.00	250.00	20.00	8.7
Assignment / Transfer of EROB	140.00	155.00	15.00	10.7
Re-issue of EROB	57.00	60.00	3.00	5.3
Surrender or cancellation of EROB - pro-rata refund	No Charge	No charge	-	-
Memorial Fees				
Permission to erect or amend a memorial	175.00	190.00	15.00	8.6
claim all child-related fees from Children's Funeral Fund for England. These fees are for	175.00	190.00	15.00	8.6
Permission to erect or amend a memorial with kerbstone in designated traditional sections only - with application	350.00	380.00	30.00	8.6
Permission for offsite repair or maintenance of memorial - with application	57.00	60.00	3.00	5.3
Permission for *insitu* repair or maintenance of memorial - with application	No Charge	No charge	-	-
Purchase of a woodland plaque and vase with plinth +VAT - with application	P.O.A.	POA	-	-
Purchase of a woodland or a memorial garden plaque only +VAT - with application	P.O.A.	POA	-	-
Purchase of an NFDC owned memorial bench plaque only +VAT - with application	P.O.A.	POA	-	-
Sundry Fees				
Use of chapel - included in interment fee and subject to availability	No Charge	No charge	-	-
Research fees per hour - minimum 1 hour	57.00	60.00	3.00	5.3

* NFDC claim **all** child-related fees from Children's Funeral Fund for England. These fees are for information only.
For further information: https://www.gov.uk/child-funeral-costs

	Current Charge 2022/23 £	Proposed Charge 2023/24 £	Increase £	Increase %
SACKS				
Dog Waste Bags Per 100 Sacks + VAT	0.83	0.83	-	-
STREET NAME PLATES				
Basic	300.00	336.00	36.00	12.0
Special	Actual Cost	Actual Cost		
Street Number Plates	256.00	287.00	31.00	12.1

NOTE: VAT. Charges are exclusive of VAT.
Charges which are zero rated or not subject to VAT are marked * either individually or by service.

PLANNING, REGENERATION & INFRASTRUCTURE PORTFOLIO

PROPOSED SCALE OF FEES AND CHARGES FOR 2023/24

With effect from 1st April 2023 (all shown are excluding VAT)		Current Charge 2022/23 £	Proposed Charge 2023/24 £	Increase £	Increase %
LAND CHARGES					
Residential					
LLC1 Only *		40.00	45.00	5.00	12.5
CON29R		80.00	90.00	10.00	12.5
Commercial					
LLC1 Only *		50.00	55.00	5.00	10.0
CON29R		110.00	120.00	10.00	9.1
Other Enquiries					
CON29O		20.00	23.00	3.00	15.0
CON29O HCC questions (all three conditions)		60.00	70.00	10.00	16.7
Solicitors own written enquiries (per question)		40.00	47.00	7.00	17.5
Each additional parcel of land (Residential & Commercial)					
LLC1 Only *		5.00	5.50	0.50	10.0
CON29R		15.00	17.00	2.00	13.3
Large Site/Complex Search					
LLC1 Only *		175.00	195.00	20.00	11.4
CON29R		350.00	385.00	35.00	10.0
PERSONAL SEARCHES					
Personal searches are undertaken under the Environmental Information Regulations and, therefore, no fee applies					
BUILDING CONTROL					
Fees					
Copy Completion Certificate		28.00	36.00	8.00	28.6
Re-open Archived Application		195.00	216.00	21.00	10.8
Re-direct Inspection		49.00	54.00	5.00	10.2
Consultancy					
Consultancy	per hour	65.00	72.00	7.00	10.8

NOTE: VAT. Charges are exclusive of VAT.
Charges which are zero rated or not subject to VAT are marked * either individually or by service.

CABINET – 15 FEBRUARY 2023 **PORTFOLIO: PARTNERING & WELLBEING**
COUNCIL – 27 FEBRUARY 2023

FREEDOM LEISURE

1. RECOMMENDATIONS

1.1 That Cabinet recommend to Council the proposal set out in this report to finalise the negotiated resolution related to the Transition Year deficit, in accordance with the procedure set out in the Council's contract.

2. INTRODUCTION

2.1 This report sets out a proposal to deal with the resolution of a matter relating to the deficit during the Transition Year (i.e. the first year of trading) of Freedom's contract with the Council, in accordance with the provisions set out in the contract.

3. BACKGROUND

3.1 On 18 June 2021, the Council entered into a contract with Freedom Leisure to run the Council's five Health and Leisure facilities commencing on 1 July 2021, for a term of 11 years (with an optional four-year extension).

3.2 Freedom Leisure is one of the UK's leading charitable and not–for-profit leisure trusts. They manage leisure and cultural services on behalf of over 25 local authority partners and operate more than 100 leisure and cultural venues across the country.

3.3 The commencement of the contract so close to the COVID-19 pandemic left significant uncertainty as to how well the Leisure sector (nationally, as well as locally) would recover. In recognition of this, Year 1 of the contract (running from 1 July 2021 to 30 June 2022) was established as a 'Transition Year', with the Council and Freedom Leisure establishing an 'Open book' basis for financial performance oversight.

3.4 The Contract provides for the Council to cover any Transition Period deficit, up to a cap of £1.23M ('the Cap'). The Contract further provides that any deficit incurred during the Transition Period above the £1.23M Cap will be dealt with in accordance with the dispute resolution mechanism set out on the contract. This is a formal mechanism within the contract to enable the parties to come together to try and resolve issues without the need for formal legal escalation.

3.5 Year 1 of the contract was particularly difficult for Freedom Leisure financially, with a slower than expected post Covid recovery. Russia's invasion of Ukraine in February 2022 also caused a significant and unforeseen spike in the cost of utilities, adding significant expenditure pressures to income recovery pressures. The sector is still finding it extremely challenging to cover the huge energy cost increases, whilst still operating in the context of a post pandemic recovery and a cost of living crisis. Freedom Leisure, like many others in the industry, are experiencing these same challenges.

3.6 Freedom Leisure formally triggered the dispute resolution procedure in November 2022 relating to the Transition Year Cap. Under the terms of the contract, the Council and Freedom are required to '*use all reasonable endeavours to reach a negotiated resolution'.* Officers have been in discussions with Freedom with a view to resolving the issue and Section 4 below sets out the proposals in this regard.

3.7 Officers have taken expert legal advice on the matter and Appendix 1 to the report contains a confidential summary of the legal advice received from the Council's legal experts, which is exempt information by virtue of Paragraph 5 of Schedule 12A of the Local Government Act 1972 (Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings). The public interest in maintaining the exemption outweighs the public interest in disclosing the information.

4. PROPOSAL

4.1 The deficit that Freedom incurred in the Transition Year was £1,866,650. The Contract provides for the Council to cover any Transition Period deficit, up to a cap of £1.23M ('the Cap'). The Contract further provides that any deficit incurred during the Transition Period above the £1.23M Cap will be dealt with in accordance with the Dispute Resolution mechanism set out on the contract.

4.2 The provisions of the Contract envisage that an increase in a payment over £1.23M may be required and indeed permits the Council to increase its payment to Freedom Leisure beyond the £1.23M where the actual deficit is in fact in excess of this Cap.

4.3 In discussions with Freedom Leisure, Officers have proposed an increase in the Management Fee from £1.23M to £1.5M, which Officers consider is a reasonable figure taking into account the bid parameters of the original tender process.

4.4 Freedom have accepted this proposal, and would consider the Dispute Resolution position closed, subject to this being the final agreed outcome.

5. FINANCIAL IMPLICATIONS OF RECOMMENDATIONS

5.1 The payment of £270,000, being the difference in the £1.23M already paid and the £1.5M proposed, will be financed from the Council's Budget Equalisation reserve.

6. CRIME & DISORDER IMPLICATIONS

6.1 There are none directly associated with this report.

7. ENVIRONMENTAL IMPLICATIONS

7.1 There are none directly associated with this report.

8. EQUALITY AND DIVERSITY IMPLICATIONS

8.1 There are positive equality and diversity implications for the community in the provision of leisure facilities across the District. The services provided improve the health and wellbeing of residents, take into account those with particular characteristics and play an important contribution to the District's social wellbeing.

9. PORTFOLIO HOLDER COMMENTS

9.1 I believe the report sets out a satisfactory conclusion to the matter.

For further information contact:

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Background Papers:

Public documents

Exempt information (legal advice)

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