

REPORT OF CABINET

(Meeting held on 4 January 2017)

1. MEDIUM TERM FINANCIAL PLAN (MINUTE 47)

The Cabinet has approved a revised Medium Term Financial Plan in response to the developing financial context.

The Government's Autumn Financial Statement has significant implications for the Council's budgets. Although the 4 year guarantee under formula funding has been honoured there is a significant reduction in the amount of New Homes Bonus that the Council will receive in 2017/18, with £726,000 being diverted to pay for adult social care. The amount of New Homes Bonus received by the Council had been projected to decrease from 2018/19 but, in addition to bringing that reduction forward by one year, the bonus payment will also be reduced in each succeeding year.

The 3 yearly actuarial review of the Hampshire Pension Fund has identified that, in addition to the already budgeted increase in the fixed element, there is also a need to increase the employer rate by 1% per annum over the next 4 years. A summary of the additional budget requirement is set out in paragraph 4.4 of Report Item 4 considered by the Cabinet and has been built into the latest budget assumptions.

The Cabinet has been updated on the revised funding and budget assumptions that have been incorporated in the Medium Term Plan, as set out in sections 5 and 6 of Report Item 4. Overall, with the additional reduction in the New Homes Bonus, compared to 2016/17 the Council needed to address a total reduction of £1.7 million of Government funding as well as absorb a pay and price increase of £1 million.

Despite the significant last minute reduction in New Homes Bonus, sufficient adjustments have been possible to achieve a balanced budget for 2017/18, as set out in Appendix 2 to Report Item 4 considered by the Cabinet.

In order to achieve the significant savings that have been necessary over the last 3 years there has been a significant reduction in the number of employees, by around 50 full time equivalents (6% of the workforce). A summary of the resulting financial implications has been set out in the Council's Annual Financial Report. Work is also continuing on a number of service reviews, in addition to the budget stabilisation strategy, with the emphasis remaining on achieving efficiencies while protecting front line services.

The proposed Asset Maintenance and Replacement programmes and capital programme are set out in Appendices 3 and 4 of Report Item 4 considered by the Cabinet. The programme was supported by the Corporate Overview and Scrutiny Panel (minute 35, 16 December 2016 refers) and the Cabinet has also indicated their support in order that preparatory work can start. General Fund Reserves will be used to support the Capital and Asset Maintenance and Replacement Programmes, as set out in section 9 of the report.

Representations are going to be made to Government about the difficulties faced by local authorities when significant elements of funding are removed, as has been the case this year, even though there had been a promise of greater stability through entering into the guaranteed deal for formula funding. In addition, this area faces significant additional difficulties in attracting New Homes Bonus as a result of the

constraints on development imposed by the National Park which covers a significant proportion of the Council's area. This is one of the factors that contributes to this area receiving less funding support per head of population than others. A comparison table is set out in paragraph 5.3 of report item 4 considered by the Cabinet.

A further concern is that, although the loss of funding to this Council from the diversion of funding to adult social care is a significant proportion of this Council's budgets, it is relatively minor compared to the identified funding need for this service. As a consequence there is a danger that local services, that people rely on and value, will be lost or prejudiced without providing sufficient funding to resolve the problems raised by the need for adult social care.

2. STRATEGY PROPOSAL: TO INVEST IN COMMERCIAL PROPERTY (MINUTE NO 48)

The Cabinet has agreed, in principle, that the Council should invest in commercial property as a means of promoting economic development or regeneration; or for income generation, or a mixture of these. The Council already holds 23 such properties that currently achieve a gross yield that is better than other investment modes. Other authorities in the region have, over many years, developed considerably more extensive property investment portfolios.

Report item 5 considered by the Cabinet sets out in detail the factors that must be taken into account in deciding whether to acquire further properties and the potential risks involved. The report analyses the financial implications and the opportunities that could be generated through this route. Members are aware that any investment carries risks and are mindful that this Council has already had to respond to the difficulties caused by the reduced income that resulted from very low interest rates.

It is important that any investment strategy is supported by a clear asset management investment strategy document that will be applied when making investment decisions. This will also demonstrate that the Council is acting prudently in the management of its financial affairs. The issues that such a strategy should cover are summarised in section 5 of Report Item 5 considered by the Cabinet.

The outline of the potential approach to the purchase and management of commercial property is set out in Appendix 2 to Report Item 5 considered by the Cabinet. This covers the approach to the sales process, when external advice may be needed and the determination of the long term management of the property once acquired.

A Task and Finish Group has been established to progress this initiative. The Strategy document will be developed further and submitted to a future meeting of the Cabinet.

The Cabinet supports the conclusion of the report that all options must be considered carefully as the Council seeks to identify additional income streams to substitute for the increasingly reduced funding from Central Government. They concur with the view that doing nothing is no longer an option. In this case, carefully considered and targeted investment in commercial property could have the added benefits of promoting local businesses and the regeneration of areas, promoting the overall economic well-being of local communities.

3. **MEMBERS' ALLOWANCES - SCHEME TO APPLY FROM 1 APRIL 2017 (MINUTE NO 49)**

The Council is required, each year, to make a scheme of members' allowances. The Cabinet is recommending that there should be no change to the current Members Allowances Scheme in the Scheme to apply from 1 April 2017. The current scheme provides that Members' allowances shall be adjusted in line with the Local Government staff national pay award annual percentage increase which for 2017/18 will be 1%.

RECOMMENDED:

That the current scheme of members' allowances, with the individual allowances shown therein being increased by 1%, be made as the scheme to apply from 1 April 2017.

4. **THE COUNCIL TAX 2017/18 - SETTING THE COUNCIL TAX BASE (MINUTE NO 51)**

Subsequent to the Council approving the Tax Base for 2017/18 at its meeting on 12 December 2016 (Minute 41 refers), an adjustment to the Totton and Eling figure needs to be made. That figure should increase from 9,148.2 properties to 9,316.4. The whole district figure therefore becomes 70,155.2, from the originally reported 69,987.

RECOMMENDED:

That in accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, the amount calculated by this Council as its tax base for the year 2017/18 be as follows:

PARISH/TOWN	TAXBASE 17/18
Ashurst & Colbury	922.7
Beaulieu	511.2
Boldre	1062.4
Bramshaw	344.8
Bransgore	1816.9
Breamore	181.2
Brockenhurst	1865.8
Burley	780.4
Copythorne	1211.5
Damerham	231.7
Denny Lodge	152.1
East Boldre	382.3
Elingham, Harbridge & Ibsley	605.7
Exbury & Lepe	112.9
Fawley	4534.6
Fordingbridge	2251.5
Godshill	224.7

<i>Hale</i>	260.6
<i>Hordle</i>	2395
<i>Hyde</i>	522.8
<i>Hythe & Dibden</i>	7360.1
<i>Lymington & Pennington</i>	7045.5
<i>Lyndhurst</i>	1444.4
<i>Marchwood</i>	2056
<i>Martin</i>	197.6
<i>Milford on Sea</i>	2787.8
<i>Minstead</i>	366.6
<i>Netley Marsh</i>	814.9
<i>New Milton</i>	10388.1
<i>Ringwood</i>	5225.7
<i>Rockbourne</i>	163.1
<i>Sandleheath</i>	282.6
<i>Sopley</i>	293.1
<i>Sway</i>	1688.9
<i>Totton & Eling</i>	9316.4
<i>Whitsbury</i>	101.5
<i>Woodgreen</i>	252.1
<i>Whole District</i>	70155.2

**Councillor B Rickman
CHAIRMAN**