

REPORT OF CABINET

(Meeting held on 1 August 2018)

1. FUNDING OF CENTRE FOR SOCIAL INNOVATION CIC BUSINESS CENTRE, EVERTON (MINUTE 24)

The Cabinet has agreed to give financial support to the Centre for Social Innovation Community Interest Company which is establishing a business centre to promote the growth and development of small businesses. The Centre is based in South Efford House at the Otter Nurseries site at Everton and has already attracted 10 micro businesses to operate from their flexible working space. In May 2018 the Enterprise M3 Local Enterprise Partnership approved a loan of £220,000 to undertake the initial refurbishment of South Efford House, including fitting out shared, co-working and meeting conference accommodation. The Company sought match funding of £75,000 from this Council and from Hampshire County Council for phase 2 of the project. This will establish a seed fund that will help to deliver:

- A skills and talent incubator – a partnership with this Council, Brockenhurst and Totton Colleges to deliver specific skills and apprenticeships to meet the needs of local business. The Business Centre's New Forest Group Training Association would work to overcome the perceived barrier of the apprentice levy and provide an alternative learning model to the traditional university route.
- The provision of resources and facilities – including the recruitment of a Director of Innovation and meeting some of the building costs to establish the Business Centre
- Marketing – to attract targeted businesses and sectors.

The Council's Economic Development Manager has been closely involved in the development of the project which should drive local economic growth, develop skills in high value sectors and provide much needed flexible employment space. Accordingly, this project will contribute to delivering the Council's own vision and corporate priority, "Supporting local business to prosper for the benefit of the local community" and there is notable synergy with the Council's Economic Development Strategy 2018-2023. Members have welcomed the support that this initiative will give to developing high value businesses in the local economy and also, very importantly, the promotion of good quality apprenticeships that will encourage young people to train to fill the new jobs, allowing them to live and work in the Forest.

A number of caveats have been attached to the funding. These are:

- This Council will only release its funds when the Enterprise M3 due diligence has been completed
- The funding from this Council is co-dependent upon Hampshire County Council agreeing to support the project through their own mechanisms
- Payments will be staged with 50% of the funds issued 'up-front' and the remainder being payable upon completion of agreed milestones
- The centre should deliver its support in conjunction with identified business support networks including but not limited to the local Growth Hubs
- A clawback arrangement will be put in place to ensure that if for any reason the Community Interest Company ceases to operate within 3 years, each authority will seek to recover a proportion, if not all, of the original seed funding

- Funding will only be awarded subject to confirmation either that Planning Permission (reference 11/97250) granted on 11 November 2011 has been implemented or there is regularisation of the business centre use through the grant of a new planning permission.

2. MEDIUM TERM FINANCIAL PLAN 2018 ONWARDS (MINUTE 25)

The Cabinet has been briefed on the financial assumptions being used to develop the Medium Term Financial Plan for 2018 and beyond. A summary of the budget projections up until 2022/23 is attached as Appendix 1 to Report Item 5 to the Cabinet. The context for budget development includes the continuing Fair Funding Review and also the review of the Business Rates Retention Scheme, where the latest information suggests that the formulation will be based on a 75% retention rate, rather than the 50% currently.

All the assumptions have been made on a realistic basis on what should be achieved.

The assumptions on the funding available to the Council are set out in section 3 of the report. Business Rates Collection is expected to see overall growth of £1m beyond baseline for 2019/20; and the combined Hampshire Authorities are also working on a bid for a business rate pilot for 2019/20, which could result in additional funding being retained within Hampshire. At present it has been assumed that a baseline reset will take place in 2020/21, but in accordance with prudent financial planning, at this time all growth beyond the annual inflation increases has been removed from the assumptions.

By 2019/20 Revenue Support Grant will cease and this Council, in common with some others, is expected to be affected by “negative Revenue Support Grant”, in this Council’s case to the value of £612,000, which has been built into the budget. It is hoped that this will be addressed through the Fair Funding Review.

It is also expected that New Homes Bonus will not in future be a reliable source of funding, and is likely to cease entirely by 2022/23.

Increased costs to the value of £3.2 million have been identified for the next 4 year period, as set out in paragraph 4.1 of the report. This will be partially offset by the savings and income adjustments identified in paragraph 4.2. There will also be new budget requirements for additional staffing in planning and open spaces; and there will be an electoral review of the District.

The forecast budget deficit in each of the forthcoming years to 2022/23 is set out in Section 5 of the report, and totals £1.35 million to 2023. Action to address the deficit is already underway, with a number of reviews and strategy developments needed to maintain the current process. Further details are set out in paragraph 5.5 of the report.

Investment in 2 capital projects originally reported in February 2018 will continue, with the outline business cases, confirming the level of investment required, currently being produced for submission to the Cabinet in due course. These projects are projected to achieve annual savings to contribute to closing the identified budget deficit.

The timeline for the development and reporting of the Medium Term Financial Plan is set out in Section 7 of the report.

RECOMMENDED:

- (a) That the revised Medium Term Financial Plan, as outlined in Report Item 5 to the Cabinet and Appendix 1 to that Report, be adopted;**
- (b) That the reporting timeline as set out in section 7 of Report Item 5 to the Cabinet be agreed; and**
- (c) That the “Actions Required”, as set out in Report Item 5 to the Cabinet, be progressed.**

**COUNCILLOR B RICKMAN
CHAIRMAN**