Public Document Pack

Cabinet Agenda

Monday, 7 November 2016 at 6.00 pm

Council Chamber, Upper Ground Floor, Aquila House, Breeds Place, Hastings, East Sussex, TN34 3UY

For further information, please contact Michael Courts on 01424 451764 or email mcourts@hastings.gov.uk

		Page No.
1.	Apologies for Absence	
2.	Declarations of Interest	
3.	Notification of any additional items	
4.	Minutes of the meeting held on 10 October 2016	1 - 4
5.	EU Funding application approval - New Visitor Centre at Hastings Country Park Nature Reserve (Mike Hepworth, Assistant Director Environment and Place) (Cabinet Decision)	5 - 10
6.	Council Tax Support Scheme (Peter Grace, Assistant Director, Financial Services and Revenues) (Council Decision)	11 - 22
7.	Medium Term Financial Strategy (Peter Grace, Assistant Director, Financial Services and Revenues) (Cabinet Decision)	23 - 60
8.	Treasury Management - Mid Year Report 2016-17 (Peter Grace, Assistant Director, Financial Services and Revenues) (Council Decision)	61 - 74
9.	Minutes of the Museums Committee held on 12 September 2016	75 - 80
10.	Additional Urgent Items (if any)	

This page is intentionally left blank

CABINET

10 OCTOBER 2016

Present: Councillors Chowney (Chair), Forward, Cartwright, Davies, Poole, Fitzgerald, Lee and Patmore

36. MINUTES OF THE MEETING HELD ON 5 SEPTEMBER 2016

RESOLVED that the minutes of the meeting held on 5 September 2016 be approved and signed by the chair as a correct record

RESOLVED the Chair advised of an amendment to the recommendation contained in the Assistant Director, Housing and Built Environment's report on Sustainable Housing in Inclusive Neighbourhoods (SHINE) updated bid, to read that delegated authority was given to the Director of Operational Services, in consultation with the Deputy Leader of the Council and Housing, Communications and Equalities Portfolio Holder, to enter into a partnership agreement to support the EU funded SHINE (Sustainable Houses in Inclusive Neighbourhoods) project and deliver the associated outcomes. The Chair called over the items on the agenda, under rule 13.3 the recommendations set out in minute numbers 37, 38 and 39 were agreed without being called for discussion.

37. SUSTAINABLE HOUSING IN INCLUSIVE NEIGHBOURHOODS (SHINE) UPDATED BID

The Assistant Director, Housing and Built Environment, submitted a report which sought delegated authority for the Director of Operational Services, in consultation with the Deputy Leader of the Council and Housing, Communication and Equalities portfolio holder, to enter into a partnership agreement to support the EU funded SHINE (Sustainable Houses in Inclusive Neighbourhoods) project.

There were currently two approved EU-funded projects in Hastings, SHINE and CAN (Climate Active Neighbourhood), which aimed to tackle fuel poverty and reduce the town's carbon emissions by piloting CO2 reduction and low carbon technologies. SHINE activities will take place across a number of deprived neighbourhoods in St Leonards, while CAN will focus on the Ore, Baird and Tressell wards of Hastings. Cabinet had been kept up to date with progress on both of these initiatives.

SHINE was a 4 year project, commencing in September 2016, and involving 15 partners from across the UK, Belgium, Netherlands and France. Hastings Borough Council intended to lead the activity of the UK partners; AmicusHorizon, Energise Sussex Coast (ESC) and Brighton and Hove City Council.

The report noted the risks associated with the SHINE and CAN (Climate Active Neighbourhood) projects following the recent referendum decision to leave the European Union (EU). The current advice from the DCLG and European partners is to proceed with the bid. The risk of disruption by the Brexit negotiations will be mitigated by keeping the projects under constant review and taking appropriate action to end the project as quickly as possible if funding comes to an end earlier than expected.

RESOLVED that:
1. **Delegated authority be given to the Director of Operational Services, in consultation with the Deputy Leader of the Council and Housing, Communications and Equalities Portfolio Holder, to enter into a partnership agreement on the EU funded SHINE cooperation project and deliver the associated outcomes, and;**
2. **To continue to participate in the SHINE and CAN programmes as detailed in the partnership agreements but regularly review the situation, taking into account the negotiations over Brexit and minimise the financial risk to the council**

The reason for this decision was:
1. HBC's involvement in the SHINE project will see a total investment of £1.77m (Euro 2.11m) to the town. The funding application has been revised several times on the advice of assessors and this report confirms the final stage of the scheme and the funding approved.
2. The CAN project was approved by Cabinet in November 2015 and will see total investment of £845k in North East Hastings.
3. Finding for both projects will help reduce carbon emissions from properties and improve the housing conditions of residents living in some of the worst properties in the town. The initiatives will also help alleviate fuel poverty.
4. With the UK planning to leave the EU, the current advice is that the UK remains a full member and entitled to participate in EU funded projects, until such time of a withdrawal date. Once the Brexit negotiations are final and / or become clearer, actions may have to be taken when their impact on the projects has been assessed.

38. LAND ON CHURCHFIELDS ESTATE

The Assistant Director, Financial Services and Revenues, submitted a report which sought approval to purchase land on the Churchfields Estate.

The plot, which was the largest undeveloped site on Churchfields Industrial Estate, adjoined two plots which were already in the council's ownership. The council was also in the process of acquiring the long leasehold interest on a further nearby plot.

The site was allocated in the Development Management Plan for employment use and acquiring the additional land would provide improved flexibility for potential development. Once developed, the land could provide opportunities for employment and economic development in the town, as well as enhancing the council's income stream in the long term.

The current owners had agreed terms for the purchase in principle, as set out in an accompanying part II report. The price agreed was in accordance with the valuation obtained from the property services arm of the Valuation Office Agency.

RESOLVED to purchase the land on terms set out in the Part 2 report

The reason for this decision was:
The land is allocated for employment use in the Development Management Plan (DMP) and adjoins vacant plots in the council's ownership so offers opportunities for development.

The council is seeking income generation opportunities in the future but most importantly looking to ensure economic development opportunities continue within Hastings.

39. MINUTES OF THE CHARITY COMMITTEE MEETING AND THE MINUTES OF THE ANNUAL PUBLIC MEETING OF THE FORESHORE TRUST HELD ON 26 SEPTEMBER 2016

The minutes of the Charity Committee meeting and the Annual Public Meeting of the Foreshore Trust held on 26 September 2016 were submitted.

RESOLVED that the minutes of the Charity Committee and the Annual Public Meeting of the Foreshore Trust held on 26 September 2016 be received

EXCLUSION OF THE PUBLIC

Councillor Cartwright proposed a motion for the exclusion of the public from the meeting, which was seconded by Councillor Patmore.

RESOLVED (unanimously) that the public be excluded from the meeting during the consideration of the items of business listed below because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in the paragraphs of Schedule 12A to the Local Government Act 1972 referred to in the relevant report

40. LAND ON CHURCHFIELDS ESTATE

The Assistant Director, Financial Services and Revenues, presented a report which set out the financial implications of the purchase of land on the Churchfields Estate.

Councillor Chowney proposed approval of the recommendation to the Assistant Director, Financial Services and Revenues report, which was seconded by Councillor Cartwright.

RESOLVED (unanimously) to purchase the freehold of the land for the amount set out in the Assistant Director, Financial Services and Revenues, report (plus stamp duty land tax and registration fees)

The reason for this decision was:
The land is allocated for employment use in the Development Management Plan (DMP) and adjoins vacant plots in the council's ownership so offers opportunities for development.

41. JOINT WASTE MANAGEMENT

The Assistant Director, Environment and Place, presented a report which updated Cabinet on significant developments between the East Sussex Joint Waste Partnership and Kier Services Limited. The report sought approval for the recommendations of the East Sussex Joint Waste Committee on a proposed way forward.

Councillor Davies proposed approval of the recommendations to the Assistant Director, Environment and Place's report, which was seconded by Councillor Fitzgerald.

RESOLVED (unanimously) that:

1. **The Joint Waste Partnership proceed with Option B and the Lead Director for the Partnership (in discussion with the Hastings Borough Council Director of Operational Services) be authorised to conclude without prejudice negotiations and finalise legal terms for agreement, and;**
2. **Cabinet expresses its thanks to the Lead Director for the Partnership (Dr Anthony Leonard of Rother District Council) and the Partnership Manager Madeleine Gorman, for the commitment and energy shown in dealing with this crucial and sensitive issue**

The reason for this decision was:
On 2nd September 2016 the East Sussex Joint Waste Committee met to consider the developments set out in the appendix to this report. The committee resolved that Option B be recommended to each partner council for approval.

(The Chair declared the meeting closed at. 6.35 pm)

Report to: **Cabinet**

Date of Meeting: **7th November 2016**

Report Title: **EU Funding approval – The Interreg North-West Europe Programme Public Building in Straw – Hastings Country Park Visitor Centre**

Report By: **Mike Hepworth, Assistant Director, Environment and Place**

Purpose of Report

To seek approval for delegated authority to be given to the Director of Operational Services in consultation with the Lead Member for Environment and Place, to enter into:

- a Partnership Agreement with the Lead Partner for the EU Project (Up Straw) should it be approved at the second stage submission; and
- a Sub-Partnership Agreement with Groundwork Trust (as Sub-partner to HBC in the EU project) to support the build of a new visitor centre at Hastings Country Park Nature Reserve.

Recommendation(s)

1. **To give delegated authority to the Director of Operational Services in consultation with the Lead Member for Environment and Place to:**
   - **sign a sub-partnership agreement with Groundwork Trust to deliver the HBC associated activities and outcomes for the Interreg North-West Europe Programme - Public Building in Straw;**
   - **sign a full partnership agreement with the Lead Partner for the Interreg North-West Europe Programme - Public Building in Straw (Up Straw).**

Reasons for Recommendations

Hastings Borough Council is committed to delivering a new Visitor Centre at Hastings Country Park Nature Reserve. In 2014 we partnered up with Groundwork South to help us deliver this ambition. Groundwork project managed the preparatory work from architects through to planning permission in 2015. Groundwork South has been working with European partners to prepare a submission for Interreg funding to build the Visitor Centre from straw bales. The submission deadline is 23rd December 2016 with an expected award date early 2017.

Introduction

1. Providing a new visitor centre at Hastings Country Park Nature Reserve is a key commitment in the council's Corporate Plan 2016/17 – 2018/19.

2. The council allocated a capital receipt sum of £250,000 towards the new centre. Out of this we have used approximately £50,000 in architect's fees, project management and associated professional fees associated with the preparatory stages of the project.

3. The council has always been clear that a new centre should be an innovative exemplar in sustainable and low carbon construction as well being a landmark building reflective of the quality of the natural environment of Hastings Country Park Nature Reserve. Our proposed new centre is based on a straw bale construction which would be the first of its kind in the borough.

4. In 2014 the council partnered with Groundwork South to project manage and deliver our centre. Groundwork South has progressed the project through appointment of architects and the specialist works required to gain planning permission. They have been actively engaged in seeking the most appropriate grant aid to bring added value to the project and use the councils capital receipt as match funding.

5. In 2016 the opportunity arose for Groundwork South and the council to join European partners under the Interreg North-West Europe Programme to build public buildings from straw.

6. Along with the School of Natural Building, who is the leading experts in straw building construction in the UK, the partners submitted a successful expression of interest in February 2016.

7. The partnership was requested to submit a full application for the 23rd December 2016 Interreg submission date. We expect the decision to be late January or February 2017.

8. This report explains the background to the application, the implications for the council and seeks delegated authority to progress with the application.

Background

9. In 2014 the council invited expressions of interest from interested organisations to help us achieve our ambition of building a new visitor centre at Hastings Country Park Nature Reserve. Two organisations were invited to present to a panel of judges which included elected members, senior officers and Heads of Service.

10. Groundwork South presented a vision of a new centre built with match funding and a management proposal for them to manage the centre for ten years. The panel agreed that Groundwork presented the most compelling vision for a new centre and

a Service Level Agreement was drawn up between the council and Groundwork South for the design and build of the new centre.

11. A Project Board was established in 2014 to provide a strategic lead for the project. The Board is chaired by the Lead Member for Environment Leisure and Amenities.

12. Groundwork invited a number of architects to present their visions and cost structures to the project board. The Board agreed to appoint Cave Cooperative architects on the basis of their experience in the use of straw bale buildings and their active community engagement in the planning process.

13. A comprehensive community engagement exercise was undertaken at the Priory Meadow shopping centre and on site at the country park. A Planning Forum was held in February 2015 and planning permission was granted by Hastings Borough Council in March 2015.

14. Since planning permission Groundwork South has worked to progress a package of grants that best suits our needs. The current Interreg proposal will provide funds for the building construction.

15. The current proposal has the full support of the Visitor Centre Project Board.

Interreg North-West Europe Programme - Public Building in Straw

16. The Interreg North West Europe (NWE) Programme is a transnational European Territorial Cooperation Programme funded by the European Commission. The programme mixes public bodies and NGOs and provides support to projects with a funding rate of 60%.

17. There are 5 partners in the Public Buildings in Straw project under the NWE programme; Germany, Belgium, Netherlands, France and the UK. The lead partner for this Interreg project is French.

18. Groundwork has undertaken all the preparatory work and visits to European partners at their own cost.

19. The proposal is for Hastings Borough Council to be the full partner in the project with Groundwork as sub-partner. The School of Natural Building who has expertise in straw bale construction will also be an additional full UK partner.

20. The partners submitted an initial expression of interest for the programme in February 2016. Getting through the first round was a major achievement as the application was one of only 4 projects out of 79 applicants under the Low Carbon funding stream that were then invited to submit a full application.

21. The application and the programme is to build a new public building or wrap existing public buildings with straw bales, thereby contributing to a carbon efficient outcome. Hastings Borough Council is the only public authority in the UK who is party to this application.

22. The application deadline is 23rd December 2016 with decisions expected in January 2017.

23. If successful it is anticipated that the works to build the new centre will take place during 2017. The exact timing will depend on a detailed project management scheduling. Although the project is a four year project, our build will take place at the beginning of the project. Ancillary educational and technical outputs will be delivered throughout the remaining project period.

Financial implications of the Interreg Project

24. The UK partners intend submitting proposals totalling £890k with a 60% intervention rate, breaking down into HBC/Groundwork total budget of £540k and The School of Natural Building total budget of £350k.

25. For the HBC/Groundwork budget, the match funding from Hastings Borough Council is coming from remaining reserves and staff match (£20k, core funded). The HBC Interreg grant will be £272k.

26. In light of the falling value of the pound sterling against the Euro, we have forecast our Euro budget at a level we believe to be the most likely prevailing rate at the time of expenditure in 2017. £/€ = 1.

27. It should be noted that the Groundwork proposal will provide for the management of the centre and the running of the centre for 10 years at no cost to the council.

Additional grant aid applications

28. Groundwork South is currently pursuing two additional major grant applications for the country park and visitor centre;

    a. Heritage Lottery Fund application worth £157k. Deadline 28th November 2016 for a March 2017 decision.

    b. Veolia fund application worth £70k. Deadline 24th February 2017. Decisions tend to follow quickly after application for a mid-2017 start.

29. They are also pursuing a number of smaller more targeted applications for different aspects of the park and centre as well as allocating £7k from Groundwork reserves.

30. These additional funding applications are wholly separate from the Interreg grant. They bring additional funds and added value to the project as a whole. These additional grants are aimed at developing heritage and nature conservation themed interpretation throughout the reserve and within the new building and allow Groundwork South to employ a Community Outreach Officer to develop community engagement on site.

Risks

31. In June 2016 the referendum on the future of our membership of the European Union resulted in a vote to leave. This has introduced a degree of uncertainty to the project. However, we have been advised that until Article 50 is invoked, all Interreg applications that include UK partners will be encouraged. There is no confirmed date for the invoking of Article 50, other than a UK government deadline of end of March 2017.

32. The UK government Treasury statement of 12 August 2016 stated any cooperation project with a funding agreement in place before the autumn statement would be fully funded even if the project continues beyond the UK's membership of the EU.

33. The Treasury has since made another statement (3 October 2016), whereby, while the UK is still a member of the EU, organisations must be entitled to apply for EU funds. Funding for these projects will be honoured by the government, if they meet the following conditions:

    •they are good value for money

    •they are in line with domestic strategic priorities.

34. Whilst we are pursuing this approach we are still mindful the Brexit issues may bring an unwelcome uncertainty and risk to the project, especially regarding exchange rate fluctuations (£/€).

Conclusions

35. The current Interreg application provides the council with a realistic opportunity of accessing sufficient funds to build a new visitor centre at Hastings Country Park Nature Reserve.

36. We are therefore seeking delegated authority to sign a partnership agreement with the lead partner of this Interreg project and additionally a sub partnership agreement with Groundwork South who will be delivering the project implementation.

Wards Affected

Ore, Old Hastings

Policy Implications

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness	No
Crime and Fear of Crime (Section 17)	No
Risk Management	Yes
Environmental Issues	Yes
Economic/Financial Implications	Yes
Human Rights Act	No
Organisational Consequences	No
Local People's Views	No
Anti-Poverty	No

Additional Information

Insert a list of appendices and/or additional documents. Report writers are encouraged to use links to existing information, rather than appending large documents.

Officer to Contact

Officer Name Murray Davidson
Officer Email Address mdavidson@hastings.gov.uk
Officer Telephone Number 01424 451107

Report to: Cabinet

Date of Meeting: 7 November 2016

Report Title: Council Tax Support Scheme 2017/18

Report By: Peter Grace, Assistant Director- Financial Services & Revenues

---

Purpose of Report

To update Members on the results of recent consultation and to advise on the options available regarding the Council Tax Support Scheme 2017/18 in respect of working age customers.

Recommendation(s)

1. **To recommend to Full Council that there be no change to the existing Council Tax Support Scheme in respect of working age customers for 2017/18.**

2. **To authorise the Assistant Director (Financial Services and Revenues) to uprate allowances and premiums, as required, when announced by the Government and for any relevant changes to the Prescribed Regulations.**

Reasons for Recommendations

The local authority is required to approve a scheme for the provision of council tax support in respect of 2017/18 by 31 January 2017.

Introduction

1. From April 2013, councils have been required to adopt their own local council tax support scheme to replace the national Council Tax Benefit Scheme, which was withdrawn on 31 March 2013. The local scheme rules only apply to Working Age customers.

2. The council is required to review and adopt their scheme each year irrespective of whether the scheme is being amended.

Current Council Tax Support Scheme

3. The current local scheme, which has been in place since April 2013, introduced the following changes to the national scheme:

   Set a minimum weekly award of £5

   Removed second adult rebate

   Increased non-dependant deductions

4. There are 10,836 people claiming council tax support, of which 6,840 are of working age and 3,996 are pensioners. The amount that will be paid in council tax support for 2016/17 is in the region of £10.5m.

5. Hastings is the only East Sussex authority which has retained the original council tax support scheme introduced in April 2013.

6. Eastbourne, Rother, Wealden and Lewes introduced the following changes from April 2016:

   Charge all working age customers a minimum of 20% of their annual council tax bill

   Introduced a minimum income for self-employed customers

   Reduced the capital limit from £16,000 to £6,000 (Wealden only)

Funding

7. Entitlement to council tax support is applied to council tax accounts as a discount, which has the effect of reducing the council tax base. This adds to the pressures on overall budgets for all precepting authorities.

8. The grant funding for the council tax support scheme is included within the Revenue Support Grant (RSG) and retained Business Rates.

9. For 2013/14, the first year of the council tax support scheme, the Benefits grant which had previously been awarded by the Department for Work and Pensions, was reduced by 10% and transferred to the Department for Communities and Local Government.

10. In 2014 it was announced that the funding for the scheme is protected in the RSG and within the Localisation of Business Rates arrangements, however it is not possible to identify any specific amount of grant funding within these funding streams.

11. It is therefore important to review the existing scheme to strike the right balance between protecting those on low incomes and maintaining essential services.

Changes considered for 2017/18

OPTION 1

12. The first option was to consider the introduction of a minimum council tax payment for all working age customers.

13. The table below sets out the potential savings if the council were to charge all working age benefit customers a minimum percentage of their annual council tax bill:

Authority	Minimum payment	Number of applicants affected (working age only)	Estimated savings from current scheme	**HBC Savings**
Hastings	10%	6,840	£574,487	£81,347
Hastings	15%	6,840	£867,727	£122,870
Hastings	20%	6,840	£1,169,868	£165,653

14. Of the 6,840 working age customers affected, 5,568 are currently receiving 100% council tax support, ie making no contribution to council tax. These customers are in our lowest income households

15. The majority of these customers, (4,569), live in Band A and Band B properties.

16. Therefore, for example, by introducing a 20% minimum payment, these customers would be required to pay around £4.50 and £5.20 per week respectively. For customers in Band C and above, the contribution would be in excess of £5.90 per week.

OPTION 2

17. The second option to be considered was reducing the capital savings limit from £16,000 to £6,000.

18. The table below sets out the potential savings:

Authority	Number of applicants affected (working age only)	Estimated savings from current scheme	**HBC Savings**
Hastings	36	£35,000	£4,956

19. There are minimal savings to be gained.

20. It should also be noted that we are not required to keep records of capital held by customers in receipt of passported welfare benefits, eg Income Support, Employment and Support Allowance. As customers in receipt of these benefits are allowed to have capital of up to £16,000, we would need to contact all of these customers to check their capital and withdraw council tax support as necessary. These again are customers who are likely to be currently receiving 100% support. The above table does not include these customers as we have no idea as to how many may be affected.

OPTION 3

21. The third option was to consider introducing a weekly minimum income, in line with the national living wage, for self-employed customers.

22. The table below sets out the potential savings:

Authority	Number of applicants potentially affected (working age only)	Estimated savings from current scheme	**HBC Savings**
Hastings	550	£370,000	£52,392

23. The minimum income calculation would only apply where a business had been running for at least 12 months.

Consultation

24. Full consultation with the public is required if changes are to be considered. Therefore a consultation exercise took place between 8 July and 16 September 2016.

25. The consultation was web based and customers were encouraged to use the council's computers located in the Contact Centre.

26. Voluntary sector partners were also asked to complete the survey, as were East Sussex County Council, our main preceptor.

27. Amicus Horizon, who has over 3,000 tenants receiving benefits, also agreed to promote the consultation via Facebook and Twitter.

28. Residents were asked for their views on the three options as set out in this report. Unfortunately the consultation does not give us a particularly accurate picture for the following reasons:

- Low response rate
- 70% of respondents in work
- 17% of respondents retired

The most affected by the proposals are people who are unemployed and currently in receipt of 100% benefit – less than 6% of respondents were in this category.

Consultation – Results

Option 1

29. The survey asked if residents agreed with a minimum charge applying to all working age residents - 73% of those taking part agreed.

30. Of the 73% who said 'yes', 47% agreed that the minimum payment should be 20%; with 21% saying a minimum payment of 10% and 20% saying a minimum of 15%. The remaining 12% were 'don't knows'.

Option 2

31. The survey asked if residents agreed that the capital limit should be reduced from £16,000 to £6,000. 62% of those taking part agreed.

Option 3

32. The survey asked if residents agreed with a minimum income being used for self-employed customers. 62% of those taking part agreed.

East Sussex County Council view

33. East Sussex County Council have provided a comprehensive response to the consultation. Please see Appendix 1.

34. You will note that their response focuses on the funding arrangements, their continuing savings requirements and the financial impact should we not adopt the proposals.

Consultation Summary

35. There were only 135 responses in total and this needs to be taken into consideration when making a decision regarding the 2017/18 scheme.

36. Of the people who responded, 69.6% are in full or part time work; 5.6% are unemployed; 7.9% are sick; 16.9% are retired.

37. Taking the results of the consultation at face value, the scheme for 2017/18 would be as follows:

- 20% minimum payment for all working age customers
- Reduction in capital to £6,000
- Minimum income based on national living wage for self-employed customers

Impact of adopting options considered

38. By introducing a minimum payment of 20%, whilst potentially saving a considerable amount of money, the poorest members of our community would suffer most.

39. With the revised Benefit Cap being implemented in November, and full digital service Universal Credit being rolled-out in December; the changes in income will already be hitting the pockets of some of our residents.

40. The council tax collection rates have been reasonably consistent over the past 5 years. An increase to our liability of over £1m will put our recovery under extreme pressure, particularly for residents who have not been required to pay any council tax contributions for years.

41. Our colleagues across East Sussex introduced a 20% minimum payment in April 2016. As at the end of August, the average collection rate across the county is 49%, with the 20% cases averaging 35.8%.

42. Introducing a reduction in capital would attract minimal savings and would cost more to administer.

43. Whilst introducing a minimum income for self-employed customers could potentially attract around £50k in savings for Hastings Borough Council, again the change would increase administrative costs to an income group that is already the most difficult to assess.

Conclusion

44. The following have been carefully considered:

- The three options put forward

- The results of the consultation
- The comments from East Sussex County Council
- The potential impact on collection rates
- The impact of the Benefit Cap and Universal Credit
- The impact of other Welfare Reforms
- The Council's budget position
- To continue with the existing scheme

45. Given the potential impact of the welfare reform changes on the poorest section s of the community in particular, and that all authorities in East Sussex may wish to review the scheme for 2018/19, the recommendation of the report is to continue with the existing Council Tax Support Scheme for 2017/18.

Wards Affected

ALL

Policy Implications

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness	No
Crime and Fear of Crime (Section 17)	No
Risk Management	No
Environmental Issues	No
Economic/Financial Implications	YES
Human Rights Act	No
Organisational Consequences	No
Local People's Views	YES
Anti-Poverty	YES

Additional Information

Appendix 1 – Letter from East Sussex County Council

Officer to Contact

Officer Name: Jean Saxby
Officer Email Address: jsaxby@hastings.gov.uk
Officer Telephone Number: 01424 451556

This page is intentionally left blank

APPENDIX 1

Becky Shaw
Chief Executive

Chief Executive's Office
County Hall
St Anne's Crescent
Lewes,
East Sussex
BN7 1UE

T: 01273 481950
E: becky.shaw@eastsussex.gov.uk

East Sussex County Council

Jane Hartnell
Director of Corporate Services & Governance
Hastings Borough Council,
Aquila House
Breeds Place
Hastings
East Sussex
TN34 3UY

Our Ref	Your Ref	Date
BS/vf/CTR		18 October 2016

Dear Jane,

2017/18 Council Tax Reduction Scheme Consultation response

This is the County Council's formal response to the council tax reduction consultation which closed on 16th September 2016. As you know, the four other East Sussex billing authorities implemented changes to their Council Tax Reduction (CTR) schemes for 2016/17. The County Council welcomes the proposals set out in the consultation and looks forward to the implementation of changes to the CTR scheme in line with those approved by the other billing authorities for 2016/17. It is important to be clear that there will be, should the Borough choose not to adopt the proposals, a consequential opportunity loss of income to the County Council and a higher level of required savings amongst County Council services.

Scheme cost and funding

As you know since 1 April 2013, local billing authorities have been responsible for running their own local schemes for council tax support. These Council Tax Reduction schemes replaced the national Council Tax Benefit scheme. It was a new financial burden to local authorities, with financial responsibility transferring from Central Government, but the grant which once fully (100%) financed the national scheme was reduced to 90%, and the County Council received initial "non-ringfenced" funding assessed on this 90% basis.

The "cost" of Council Tax Reduction Schemes is by reduction of the council tax base of Districts and Boroughs, within their council tax Collection Fund Accounts. Receiving the major share (approximately 70+%) of council tax collected by billing authorities, the County Council is therefore caused to forego the difference in council tax revenues that would be otherwise locally due/collectable by District and Borough authorities.

The 2013/14 cost of the scheme was £45.9m. The County Council received new burdens funding from the Government of £30.2m (£45.9m x 90% x 73%), which became part of the County Council’s general Settlement funding. However, general Settlement funding from Government of this sum has since progressively and significantly reduced (-41% or -£13.8m, ESCC share) due to the Government’s austerity programme (-10% 2013/14, -8.5% 2014/15, -13.3% 2015/16, -16.9% 2016/17).

CTR schemes protected

From 2013/14 to 2016/17, the County Council has had to reduce the funding of its services by over £83million. In broad terms, we have absorbed our annual cost pressures, as well as incurring 15% cuts in (essential) frontline services, inevitably affecting (directly or indirectly) services to vulnerable people. The cost of County Council back office functions has been reduced by 20%. During this same period, the cost of local CTR schemes has been locally protected from savings programmes.

From 2015/16, according to a national survey by the New Policy Institute, some 250 of the 326 local schemes require all working age residents to pay some council tax regardless of income. At the same time, the number of local authorities requiring minimum payments to their council tax levies has been increasing year on year and by 2015/16, 129 councils (more than half of the schemes) require a minimum payment of at least 20% of their liability.

According to a recent Joseph Rowntree review, a 20% liability is the most common. Authorities are also introducing further ways to reduce the cost of their Council Tax Reduction schemes, including changing their means-test components to assume self-employed people earn at least the minimum-wage and reducing the capital savings limit.

Continuing savings requirements

For 2017/18, the County’s currently reported saving requirement is a further £17m - £25m (Cabinet report 11th October 2016). The funding priorities of the County Council continue to be driving economic growth, keeping vulnerable people safe and helping people to help themselves, whilst making the best use of its resources. It is inevitable that savings programmes will have already impacted upon all County Council services and its core priorities.

Services across the whole budget of the County Council have been required to make a contribution toward ongoing savings requirements and appropriate savings have become more difficult to find. The County Council believes that previously protected Council Tax Reduction schemes should now be properly encompassed in local savings proposals. If fully adopted, the CTR consultation proposals for 2017/18 will be consistent with reductions in Government funding and reductions in County Council frontline services. They will reflect the way that many other authorities have already progressed.

County Council financial impact of proposals

The County Council assesses its increased revenues from the consultation as follows:

(say 70% share)	10% min charge	15% min charge	[redacted]	20% min charge	Capital savings limit	Min income level
	£m	£m	[redacted]	£m	£m	£m

	0.40	0.61		0.82	0.03	0.26

As a result, the total additional revenues available to the County Council would be £1.11m if the 20% minimum charge, capital savings limit and minimum income level recommendations were each incorporated into the 2017/18 CTR scheme.

The County Council recognises an additional cost of collection will be associated with this increase in revenue, if collection rates are to be maintained. This is because householders who have not paid council tax before (including low income applicants) do not easily fall into normal recovery processes. It will be essential to engage with these council tax support applicants at the earliest opportunity and the County Council will accept a fair share of the cost of the additional resources if consultation proposals are fully implemented.

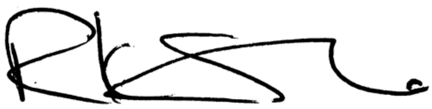
Exceptional Hardship Funding

The County Council also wishes to participate in funding for Exceptional Hardship to mitigate the negative impacts resulting from these proposals. If consultation proposals are fully implemented, the County Council will participate in proportion to its share of the collection fund and are open to support some staffing costs to administer the fund.

Conclusion

In conclusion, the County Council welcomes the progress made with the consultation proposals for the 2017/18 Hastings CTR scheme and unreservedly looks forward to its successful implementation.

Yours sincerely



Becky Shaw
Chief Executive

This page is intentionally left blank

Agenda Item 7

Agenda Item No:

Report to: **Cabinet**

Date of Meeting: 7 November 2016

Report Title: Medium Term Financial Strategy and 2016/17 Mid-Year Financial Review

Report By: Peter Grace
Chief Finance Officer

Purpose of Report

The council looks to forecast its financial position over the medium term in order to ensure it can align corporate objectives with available resources.

This report highlights variations in costs and income since setting the budget in February 2016 which in turn informs the budget process. The Medium Term Financial Strategy seeks to identify the financial risks that will affect the annual budgets for each of the next 3 years (2017/18 to 2019/20) in order that key priorities can be matched to expected funding.

Recommendation

1. Approve the Medium Term Financial Strategy.

Reasons for Recommendations

The council matches its available resources to its priorities across the medium term.

The report provides the opportunity to assess the council's resources to assist the review of corporate priorities given the continued reductions in funding and the need to continually ensure limited resources are properly aligned to targets.

Introduction

1. The review of the current year's spending against the budget helps to update and inform the budget process for 2017/18 and beyond.

2. Good financial management requires councils to properly plan for the future in order to match longer term ambitions and plans with anticipated resources. At present there are a number of key areas of financial uncertainty which cause problems when seeking to accurately forecast available resources for the years ahead. The Medium Term Financial Strategy seeks to identify these uncertainties, and where possible make an informed view of the likely resource implications. Where there is no clarity as yet, generally, a prudent approach is adopted.

3. The Council recently accepted the government's offer for a four year settlement in order to provide some certainty on part of the Council's funding stream. The government's autumn statement on 23 November 2016 is expected to provide more details of the resources available over the next 3 years which may impact on the remaining income streams, such New Homes bonus, Discretionary Housing Payments, Disabled Facility grants. The local government settlement is expected to be released in December and will provide confirmation of the 2017/18 settlement and adjustments thereof. The Council can expect the Revenue Support Grant to reduce from £2.835m in 2016/17 to an estimated £988k by 2019/20.

4. For financial planning purposes, the assumption in this Medium Term Financial Strategy is for reductions in Settlement Funding Assessments (government funding and retained business rates) of some 11.5% in 2017/18, 7% in 2018/19 and 8.4% in 2019/20.

Financial Context

5. The council's 2016/17 net budget of £16.58m is broken down across services as follows:-

Service	Net Budget £
Corporate Resources	2,926,000
Operational Services	12,346,000
Interest/ Use of Reserves/ Other Grants and Contingency	1,308,000
Total (Net Council Expenditure)	16,580,000

6. The budget is funded by:-

Funded From	£
Revenue Support Grant	2,835,000
New Homes Bonus – return funding	8,000
New Homes Bonus	1,388,000
Collection Fund Surplus – Council Tax	165,000
Collection Fund Deficit - NNDR	(639,000)
Housing Benefit Administration Grant	759,000
Transition Grant	5,000
Business Rates	3,060,000
Business Rates (Section 31 Grant)	606,000
Business Rates Pooling	58,000
Council Tax	6,054,000
Reserves/Capitalisation	2,281,000
Total (Net Council Expenditure)	16,580,000

2016/17 - Mid year Review

7. There are a number of “overs and unders” within the accounts that help inform budget planning for 2017/18 and beyond.

Income (2016/17)

8. Development Control income is being estimated by the service to be up by some £30,000 against that budgeted (£270,000). In 2015/16 there were a number of one off accounting adjustments that meant outturn was lower than expected but the same adjustments will not be required in 2016/17 so the £270,000 budget may well be achieved.

9. Property – income is currently lower than original budget estimates (some £15,000 estimated by year end), mainly as a result of some voids and Priory Meadow’s profit share being lower due to voids. Some additional costs have also been incurred in preparing assets for disposal. The fees incurred in bringing land and properties to market can be offset against the sale proceeds. Some of the costs being incurred currently will not be offset within this financial year.

10. Investment income is around budget. The interest rates achieved have been lower than the budgeted 0.70% however this has been offset by lower borrowing costs.

11. Business rate income remains an area of high volatility and risk. Whilst the level of business rates collected is on target the level of appeals both nationally and locally is a threat that has materialised and is impacting significantly on the retained

income levels. The council is receiving a separate payment from the government following the extension to the Small Business rate relief scheme – which effectively reduced the council's income from business rates. This further complicates the picture. High levels of appeals remain outstanding (currently some £31m out of a total valuation list of £58m) as the Valuation Office did not determine many appeals as it has been producing the 2017 revaluation.

12. Off-Street Parking income is forecast to be £50,000 higher than budgeted. The reduced number of Parking Control Notices (PCN's) issued suggests that those parking are ensuring they have paid sufficiently for their stay and this is attributed to the increase in the payment methods HBC accept, namely the use of RingGo and acceptance of cards. A good summer and mild autumn to date has resulted in parking income being more buoyant than in previous years.

Expenditure (2016/17)

Inflation

13. The council allowed around 1% overall for inflation on its main contracts in 2016/17. With some £5m of major outsourced contracts, inflation assumptions remain important for budget planning purposes. Inflation in September 2016 (CPI 1%, RPI 2%) is below the government's 2% target level (CPI) but could increase above this level in the near future. Initial estimates indicate that there will be a saving in 2016/17of between £10k and £15k on inflation assumptions.

Other Expenditure

14. Staffing shortages and workload issues within services, particularly planning, have led to the outsourcing of some work along with higher temporary staff costs and advertising/agency fees. A restructure to the service has been approved, effectively increasing the budget to meet service need. Fees are also being proposed for certain planning services and this will offset the increased cost of the service from 2017/18.

15. The Selective licencing position was reported to Cabinet in September. The current position is an adverse variance of £120,805 due to reduced income forecasts for this financial year following from an unexpectedly high take up of the 'early bird' option by licensees. The business plan has been revised to change the focus from processing applications to enforcement so that over the life of the scheme it is hoped the costs will be fully recovered. This will need close monitoring.

16. The Housing Licensing team is forecasting a budget overspend of £199,000 for 2016/17 - the income for the older scheme stopping in September 2016.

17. Some £48,000 of additional monies have been received from the Department of Work and Pensions (DWP) this year in respect of areas generally supported by Community Partnership funding. The service is looking to use this additional grant within 2016/17.

18. Corporate Resources are forecasting a balanced position against the original budget. However this position includes a number of variances but in particular there are overspends due to covering long term sickness. These overspends are offset

by underspends throughout the Directorate including savings on utility costs and staff vacancies.

19. The high level of business rate appeals has remained largely unchanged since 2015/16 when it was announced that a new 2017 revaluation list would be released in 2016 (effective from 2017) and an appeal deadline of March 2015 was put in place. The 2017 list has now been released and assurance has been given that existing outstanding appeals will now be dealt with before any new appeals are considered. Provision has been made in the Collection Fund in 2016/17 to account for the high level of appeals.

20. Council Tax Support Scheme – lower levels of claims continue to be experienced in 2016/17, which results in higher levels of council tax being collected. The caseload is currently 10,699 and represents a decrease of 1.7% from 31 March 2016. Housing Benefit caseload also continues to decrease, now standing at 9,932 – a decrease of 2.4% from 31 March 2016 (the cost of the claims being funded by government in this instance).

21. The original business plan for the Social lettings scheme identified the rapid expansion of the scheme, however in practice it has been much slower. As a consequence income levels have been significantly lower than originally anticipated albeit offset by reduced spend. There is a significant improvement in the 2016/17 position against the original budget deficit forecast for the year (improvement of £75,000 projected). Any surplus at year end will be used to repay the General Fund which was used to support the overspend in 2015/16.

Capital Expenditure

22. The Council's limited Capital expenditure programme remains susceptible to increasing costs of construction and professional fees in the South East. There will be slippage on a number of schemes, including the Country Park Visitor Building, the Castle, and the Coastal Space regeneration project. The overall spend will exceed the original budget estimates following the purchase of Aquila House and approval of the building a further kiosk above bottle alley (subject to market offers). Additional land and property acquisitions in the year have also been approved by the Council – and are subject to negotiation.

2016/17 - Summary of Mid Year position

23. In brief, there are many variations within individual budgets, some of which are identified above. Where the under spends will be of a recurring nature these are of particular significance as they will assist in balancing the budget for future years. Non recurring savings can also assist the council in balancing the budget through "one off" injections of cash or through invest to save projects.

24. There are few illusions about the level of budget reductions required to achieve a sustainable budget in the years ahead. As a result services continue to identify opportunities to make in-year savings and investigate other ways of achieving objectives when staff leave the organisation. To achieve the balanced budget in 2016/17 and beyond, PIER saving targets were set as part of the budget setting process in February 2016 and these will need to be achieved.

25. The major areas of uncertainty include the business Rate appeals, licensing, development control income and also the outstanding claim in respect of the Pier closure (Manolete claim) which is now subject to a hearing in late autumn 2016.

26. The revised budget for 2016/17 is currently being prepared and there will be overs and unders across the whole budget**.** There may be a small saving against the existing budget as a result of a concerted effort to identify potential efficiencies and savings as well as the decisions being taken by Council e.g. purchase of Aquila House. If so, the call on the Transition Reserve may be less than originally expected. Against this is the potential costs arising from the major areas of uncertainty.

Medium Term Financial Strategy

27. The Medium Term Financial Strategy (MTFS) is attached (Appendix A). It does provide indicative budget forecasts for the 3 year period 2017/18 – 2019/20 and these have been produced to reflect the issues identified in the MTFS.

28. The deficits amount to £1.7m in 2017/18, £2.5m in 2018/19 and £3.1m in 2019/20. Work is currently ongoing to reduce these deficits. Proposals for which will be included in the budget in February 2017. Income generation will play a part in helping to close the gap and will be the subject of further reports to cabinet and Council, outside of this year's MTFS.

29. These are for illustrative purposes at this stage, given the uncertainty surrounding the costs of some of the financial pressures and funding levels and the recognition that further work is required to refine these figures before the budget is finalised on 22 February 2017.

30. Members are recommended to approve the Strategy, which will inform the 2017/18 budget setting process.

Anti Poverty, Equalities and Community Cohesiveness

31. The equalities implications of the annual budget proposals are the subject of an Equalities Impact Assessment. Anti-poverty implications will also be addressed as part of the budget proposals.

Risk Management

32. The key risks are identified in the MTFS. The key areas remain future funding, the claim against the Council in respect of the Pier, business rate appeals.

Economic/Financial Implications

33. The implications are detailed in the report. The strategy continues to identify reduced funding levels from government for the next few years and the prudent use of reserves over each of the next three years to help the transition to a lower spending Council. It is proposed that a further review of reserves be included within the budget setting process.

34. The MTFS identifies budget shortfalls in each of the next 3 years, even after the use of significant levels of reserves. The identification of further efficiencies, income generation opportunities and cost reductions remains of critical importance to achieve a balanced budget.

35. The MTFS supports the alignment of corporate priorities with available resources and is intended to set the annual budget process in the context of the requirement for financial planning for the medium term.

Wards Affected

Ashdown, Baird, Braybrooke, Castle, Central St. Leonards, Conquest, Gensing, Hollington, Maze Hill, Old Hastings, Ore, Silverhill, St. Helens, Tressell, West St. Leonards, Wishing Tree

---

Area(s) Affected

Central Hastings, East Hastings, North St. Leonards, South St. Leonards

---

Policy Implications

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness	Yes
Crime and Fear of Crime (Section 17)	No
Risk Management	Yes
Environmental Issues	No
Economic/Financial Implications	Yes
Human Rights Act	No
Organisational Consequences	No
Local People's Views	No
Anti-Poverty	Yes

Background Information

Appendix A – Medium Term Financial Strategy

Officer to Contact

Peter Grace
pgrace@hastings.gov.uk

This page is intentionally left blank

APPENDIX A

Medium Term Financial Strategy 2017/18 to 2019/20

Purpose of the Strategy

1. The council manages its finances by matching council priorities to funding across the medium term; this strategy report identifies the risks that the council faces in doing so. The annual budget cycle refines the process for the immediate year ahead and determines the most appropriate use of available resources as well as setting the Council Tax for the borough.

2. The government's deficit reduction programme continues to result in significant and ongoing reductions in funding. The period over which these reductions will last continues to have far reaching effects for the levels of service that the council can continue to provide. The council continues to find itself in a very challenging financial period that is anticipated to extend for at least 4 more years. The Council has opted to accept the government's four year settlement offer. This provides a degree of certainty for at least a part of the Council's funding stream – albeit still very significant year on year reductions.

3. Local government as a whole has faced more severe reductions than other parts of the public sector and has needed to provide strong discipline and management to put itself in a position to best address these challenges. The Medium Term Financial Strategy (MTFS) is a key document in setting out the council's approach to establishing a financial base to enable the council's policies and priorities to be delivered.

Background

4. Councils are expected to plan their finances over more than a one year period. The longer term planning of finance supports the achievement of priorities in the Corporate Plan and allows more effective planning of services. It encourages councils to predict events in the future and develop strategies to deal with them. To this end, given the four year funding offer the MTFS seeks to project the funding position to 2019/20.

5. The Financial Strategy is the first stage in the annual business planning process. A later stage, the budget process, will examine the financial implications of any revisions to corporate plan objectives and match these to available resources to define a council-wide budget requirement in early 2017.The corporate planning process ensures there is full integration of all key strategies and the policies of the council.

6. The Council has experienced funding reductions of over 50% between 2010/11 and 2016/17. The government's autumn statement on 23 November 2016 is expected to give details of spending plans for the years ahead and given the scale of the national deficit and exit from Europe the funding reductions can now be expected to continue well beyond 2019/20.

7. The previous chancellor announced that health, schools and development assistance will be protected which means that cuts in Departmental expenditure Limits (DEL) will fall disproportionately on the remaining public services including local authorities. This policy is not expected to change significantly.

8. This report updates the MTFS taking into consideration known factors and makes broad assumptions on funding for 2017/18 and the years thereafter as well as making assumptions around service and corporate pressures.

9. Announcements made last year surrounding the retention of 100% of business rate income by local authorities by the end of the parliament may change the projected figures included within this strategy document. The strategy will be updated as and when details and implications emerge in the years ahead. Additional resources can not however be anticipated.

Strategic Priorities

10. The Council's strategic priorities were reviewed for 2016/17 in the light of the continuing challenges that the Council and the community face. They may be reviewed for 2017/18 in the light of these continuing challenges. They are:-

(a) **Economic & physical regeneration:** To secure economic & physical regeneration that produces high quality new developments while preserving the best of our heritage, high standards of education and training, road & rail improvements and high-speed broadband, thereby creating economic growth and rewarding jobs, particularly in tourism, creative industries, and high-tech manufacturing & research.

(b) **Cultural regeneration**: To contribute to the regeneration of the borough through a rich cultural programme that appeals both to local people and visitors, extending, broadening and promoting the borough's cultural activities to establish Hastings as a nationally and internationally recognised centre for arts and culture.

(c) **Intervention where it's needed:** To make full use of our available powers and sanctions to tackle anti-social behaviour or practices, including poor housing, eyesore properties, unauthorised development, derelict land, fly-tipping and dog fouling.

(d) **Creating decent homes:** To facilitate the supply of secure, affordable and well-designed homes, through strategic planning policies, planning conditions, regulation of the private rented sector, tackling and eliminating bad landlords, and by working with social housing providers.

(e) **An attractive town**: To maintain visually interesting, well-maintained, uncluttered, clean and functional urban public spaces, especially along the seafront and in our town centres, integrated with high quality protected green spaces accessible to all.

(f) **A greener town:** To promote practices that minimise our carbon footprint through our policies and our own operations, protect and enhance biodiversity, and limit damaging consequences of human intervention on the natural environment.

(g) **Transforming the way we work** – To maximise the benefits provided by new technology, to take opportunities for smarter 'One Team' working and continue our drive to be more Customer First focused and efficient in the design and delivery of services.

11. The council's corporate plan continues to remain ambitious when set against the background of reductions in annual grant settlements. The council has a very good track record of achieving its objectives and improving performance, and will look to enhance income streams to. It continues to be well placed to deliver the programme in 2017/18. Significantly reduced resources will however inevitably impact on service delivery in the years ahead.

Key Principles of the Medium Term Financial Strategy (MTFS)

12. The Financial Strategy is robust in that it integrates the financial and policy planning procedures of the council. That robustness is built upon a foundation of key principles:

(i) Ensure the continued alignment of the council's available resources to its priorities

All key decisions of the Council relate to the corporate plan. Priorities are determined and reviewed in the light of any changes to the Plan.

(ii) Maintain a sustainable revenue budget

This means meeting recurring expenditure from recurring resources. Conversely non recurring resources such as reserves and balances can generally be used to meet non recurring expenditure providing sufficient reserves and balances exist.

Whilst the principle remains sound the council has consciously been strengthening its reserves in the last few years, knowing that these will be required to ease the transition to a lower spending council and to meet key corporate priorities. The council now requires the use of these reserves to achieve balanced budgets in 2016/17 and over the next few years.

(iii) Adequate Provisions are made to meet all outstanding liabilities.

(iv) Continue to identify and make efficiency savings

Each year there is a thorough examination of the council's "base budgets" to identify efficiency savings and to ensure existing spend is still a council priority (Priority Income and Efficiency Reviews – PIER). The Council established an Invest to save Reserve to assist in this regard.

(v) Review relevant fees and charges comprehensively and identify Income generating areas as a means of generating additional funding for re-investment in priority services.

(vi) Capital receipts and reserves will primarily be available for new investment of a non-recurring nature thereby minimising the overall financial risk.

Resources will be allocated to invest in the council's assets to ensure they support the delivery of corporate and service priorities.

Resources will be made available to finance invest to save schemes to help modernise and improve services and generate efficiencies in the medium term.

(vii) Ensure sufficient reserves are maintained.

Some reserves, having been built up in the last few years, are specifically identified to ease the transition to a lower spending council and to meet key corporate priorities. A hardship fund was established in the February 2016 budget. Volatility within business rates and the Council Tax Support scheme resulted in the establish of a separate reserve to smooth some of the fluctuations.

(viii) Ensure value for money is achieved in the delivery of all services and that the council seeks continuous improvement of all services.
It should be noted that the annual governance report produced by the council's external auditors in September 2016 gives a very positive opinion on the council's provision of value for money services.

(ix) Maintain affordable increases in Council Tax whilst accepting that such an objective is linked to the amount of annual Government grant, inflation and new legislative requirements.

(x) Recognise the importance of partners in delivering cost effective solutions for services.

Local Government Spending Control Totals

13. The Chancellor's November 2015 autumn statement identified that the real term reductions in local government funding would be some 24% over the next four years. This is on top of the reductions, following the Comprehensive Spending Review in 2010 which will have exceeded 50% for the period ending March 2016.

14. **External Funding – Grant Settlement (Multi-year Settlement)**

The 2016/17 settlement provided not only details for 2016/17 but indicative details for a further 3 years. The Revenue Support Grant and the levels of Business rates that the government expects councils to retain when combined make up the Settlement Funding Assessment (SFA).

Year	Settlement Funding Assessment (£ 000's)	Decrease (£ 000's)	Percentage Change (Annual)	Percentage Change (Cumulative)
2015/16	£7,194			
2016/17	£6,330	-£863	-12.0%	-12.0%
2017/18 (Est)	£5,602	-£728	-11.5%	-22.1%
2018/19(Est)	£5,212	-£390	-7.0%	-27.6%
2019/20 (Est)	£4,775	-£437	-8.4%	-33.6%

15. In terms of the cash grant that the Council receives from the government (Revenue Support Grant) the Council lost some £891,000 in Revenue Support Grant in 2016/17, and expects to lose a further £797,000 in 2017/18. By 2019/20 the Council will have lost £2,739,000 (73.5%), leaving a grant allocation of some £988,000.

Year	Revenue Support Grant (£ 000's)	Decrease (£ 000's)	Percentage Change (Annual)	Decrease (Cumulative) (£ 000's)	Percentage Change (Cumulative)
2015/16	£3,727				
2016/17	£2,835	-£891	-23.90%	-£891	-23.90%
2017/18 (Est)	£2,038	-£797	-28.10%	-£1,689	-45.30%
2018/19 (Est)	£1,542	-£496	-24.30%	-£2,185	-58.60%
2019/20 (Est)	£988	-£554	-35.90%	-£2,739	-73.50%

16. The Council expects to receive a small amount of Transition grant funding in 2017/18 of £5,466 (£5,493 in 2016/17).

17. Discretionary Housing Payments (DHP's). This government grant which is managed by the Council assists many claimants who are coping with a multitude of welfare benefit changes. The grant figure for 2016/17 amounted to £277,703. The figure for 2017/18 is awaited.

Summarised Grant Position

18. The level of grants received from the government between 2010/11 (the year before the previous Comprehensive Spending Review) and 2016/17 have decreased by over 50%. For the period 2010/11 to 2019/20 the reduction in cash grant funding is estimated at 70% on a like for like basis (i.e. excluding Council Tax Freeze Grant, Homelessness Grant and Council Tax Support Grant in order to provide a clear comparison). These figures are all based on cash and exclude the effects of inflation (the inclusion of which would increase the % reductions even more).

19. The cash that the Council will lose in 2017/18 i.e. £797,000 is significant but is not the only reduction expected. New Homes Bonus in particular is set to decrease in the years ahead as is the Benefit Administration grant as the Country moves towards Universal Credit and away from housing benefit.

Core Spending Power

20. The government came up with a new term last year, which is similar to the previous Revenue Spending Power. Core Spending Power sets out the expected available revenue for local government spending through to 2019/20 using Office of Budget Responsibility (OBR) estimates.

21. The Core Spending Power figures for Hastings from 2016-17 through to 2019-20 are derived from the sum of the following core components:

(i)The Modified Settlement Funding Assessment amounts,

(ii)The council tax requirement (excluding parish precepts). The figures have been estimated by:

– applying the average annual growth in the council tax base between 2013-14 and 2015-16 throughout the period to 2019-20

– assuming that local authorities increase their Band D council tax in line with the referendum principle of more than £5 and also a 2% or more increase.

(iii) New Homes Bonus

The Spending Review set out the overall envelope for New Homes Bonus payments over the period to 2019-20 as being £1.485 billion for 2016-17, reducing to £900 million by 2019-20.

– For 2016-17, the funding line includes both New Homes Bonus allocations and returned funding. The government are consulting on options for changes to the New Homes Bonus in order to sharpen the incentive for delivery of new housing.

– For 2016-17 the distribution figures are actual allocations.

– For 2017-18 onwards, the national totals set at the Spending Review in order to release at least £800 million for the improved Better Care Fund. These are apportioned between authorities according to local authority shares in 2016-17.

22. The table below shows the government's projections of how much funding the Council will retain after 4 years. It assumes current income levels are maintained.

Core Spending Power

		2015-16 (adjusted)	2016-17	2017-18	2018-19	2019-20	Percentage Change over the Spending Review Period
Core Spending Power	£ millions	*14.1*	*13.8*	*13.3*	*12.7*	12.5	-11.8%
Dwellings As At September 2015		*43,008*					
Core Spending Power per Dwelling	£	329	320	309	295	290	-11.8%

It can be seen from the above table that under this new measure, the Core Spending Power of the Council reduces by 11.8% over the 4 years shown.

23. The overall reduction in Settlement Funding Assessment (Business Rates, Revenue Support Grant and other rolled in grants) for 2017/18, is expected to be some 11.5%.

FINANCIAL CONTEXT - The National Economic Climate

24. Following on from Brexit and with renewed global macro-economic uncertainty surrounding another possible US rate hike at year end, market participants are hedging their bets against all possible outcomes.

25. UK GDP growth rates in 2013 of 2.2% and 2.9% in 2014 were the strongest growth rates of any G7 country. However, the 2015 growth rate finally came in at a disappointing 1.8%, though it still remained one of the leading rates among the G7 countries. In 2016 growth was +0.4% in quarter 1 and +0.6% in quarter 2, (first estimate), but forward looking indicators point to a sharp slowdown in the second half of 2016 as a result of the Brexit vote.

26. During most of 2015 the economy had been difficult for exporters from the appreciation during the year of sterling against the Euro, and weak growth in the EU, China and emerging markets, plus the dampening effect of the Government's continuing austerity programme and uncertainty created by the Brexit referendum. However, since the peak in November 2015, sterling has fallen in value, especially after the referendum result, which will help to make British goods and services much more competitive and will increase the value of overseas earnings by multinational companies based in the UK. The risk is that inflation could increase significantly.

27. The Bank of England August Inflation Report included a sharp reduction in forecasts for growth for 2017 at +0.8% and for 2018 at 1.8%, though 2016 was kept at 2.0%. While this does not indicate the economy could go into recession in the second half of 2016, growth is expected to be minimal during that period.

28. The American economy had growth in 2015 of 2.4%. Quarter 1 of 2016 came in at a weak 0.8% (annualised) and quarter 2 at 1.2% (first estimate). While these overall figures were disappointing, they were affected by a significant run down in inventories which masked an underlying strength in consumer demand; forward indicators are therefore pointing towards a pickup in growth for the rest of 2016.

29. Volatility has also returned in the oil market as production cuts emerge from the Organisation of the Petroleum Exporting Countries (OPEC), as Iran agrees to follow suit, but prices have struggled to regain lost ground from the May high of $50 per barrel.

30. The British Banks Association's (BBA) Mortgage approval rates for the UK showed a fall in approvals for the month of August to its lowest level since January 2015. British Banks approved 36,997 housing mortgages in August, down from 37,672 in July as activity in the sector continues to slow.

31. In the UK and the Eurozone release of the latest consumer confidence figures revealed better than expected results. British consumer morale rocketed back to pre-Brexit levels in September. The latest figures portray British consumers as having shrugged off Brexit fears about the economy as wages continue to grow faster than prices and low interest rates encourage people to spend. However the recent drastic fall of the pound and unsteadiness in the markets may undermine this sentiment.

32. Britain's dominant services sector grew more than anticipated in July, thus providing further confirmation that the economy did not slow sharply after the shock of the country's Brexit vote in June. Consumer demand remained the largest driver of growth in the economy as spending by households grew by 0.9 percent from the first quarter, even as their disposable income grew more slowly. The data will help the BoE to decide whether it needs to cut interest rates again at its next meeting in November. In a separate release, British House prices rose more slowly in September than in August, adding to signs of a cooling in the housing market. In monthly terms, house prices rose by 0.3 percent, also slowing from a rise of 0.6 percent in August.

33. For the Euro currency bloc, the seasonally adjusted unemployment rate registered a reading of 10.1 percent in August, stable compared to July 2016, but still down from 10.7 percent in August 2015. This still remains the lowest rate recorded in the euro area since July 2011. This closely monitored figure indicates that the unprecedented monetary stimulus from the ECB seems to be encouraging a glacial-like recovery in the labour market. Though, the rate has come down, it still suggests that a structural shift is needed in European policy to specifically tackle the unemployment problem.

34. In determining the Medium Term Financial Strategy the impact of the economic climate on the council has to be considered. As a result it is considered that no general allowance can be made for any uplift in the council's income streams other than for inflation, although individual income streams are being critically reviewed.

Risks and Opportunities

35. There are numerous financial risks facing the council over the next four years, including:-

- External funding in terms of the annual grant settlement for 2017/18 and beyond

- Business Rates Retention Scheme – the new funding regime that was introduced on 1 April 2013 whereby councils retain an element of business rates and any growth (or reduction) – this has increased volatility and risks for council funding. The local retention of business rates presents real risks to the authority should rate income decrease, but likewise provides the council with an incentive to increase the business rate base and the level of business rates being collected.

- Business Rate Appeals – This remains one risk that is proving particularly costly at present and remains difficult to estimate. The council has been picking up the cost of revised rating determinations that stretched back as far as 2005 which has led to large deficits on the collection fund. In the spring of 2015 the Council received many more appeals (£16m by rateable value) making the total outstanding some £31m (£16m excluding duplicated companies). The majority of these remain outstanding at the time of writing. The appeals provision within the Council's accounts amounted to over £3.3m at 31 March 2016.

- Localisation of Council Tax – funding for Council Tax Support having been reduced by 10% and councils are now maintaining their own schemes

- Security of income streams

- Increased demand for public services - homelessness

- Delivery of the identified PIER savings.

- Pension Fund Performance and changes to the national scheme

- Housing Benefits – Universal Credit and the impact on Housing Benefit Administration grant

- There are however opportunities for joint working, shared services and joint procurement that have proven to be successful in reducing costs in the past e.g. Waste and Street Cleansing contract, Grounds Maintenance contract, Building Control service. A number of contract areas will be coming up for renewal which will allow for detailed scrutiny of the specification and how these could be delivered differently in the future.

- The prospects for all centrally funded organisations have become one of decreasing resources. The government's borrowing requirement has increased and significant public spending cuts are being made. Further reductions in benefit funding by the government may also have wider ramifications for Hastings e.g. effects on homelessness, inward migration.

- The Council has commenced some significant housing initiatives e.g. social lettings scheme, Selective Licensing scheme. Each of these has financial repercussions if business plan objectives are not achieved – significant deficits being projected for 2016/17 on selective licensing.

- The biggest opportunities that the Council is looking at are for income generation/cost reductions. The level of investment both in terms of commitment, resources and particularly new borrowing will be significant

Council Tax and Business Rates

36. The current funding gap in the MTFS assumes an increase in Council Tax of £5 or 1.99% in 2017/18 and each year thereafter. In determining the actual level of Council Tax for 2017/18 the council will need to take into consideration the government's referendum principles which for 2016/17 were based on the requirement to hold a referendum for increases that were above £5 as well as exceeding 2% or above. Each 1% increase now yields approximately £60,000.

37. The 2017/18 budget projection assumes a further contribution of £232,000 from the Council's Collection Fund in respect of Council Tax due to a good collection record. However this is more than offset by a deficit in business rates income caused by the high level of successful rating appeals. An estimated deficit of £316,000 has been included in the strategy but this figure could be amended significantly before the year end.

Business Rate Retention Scheme

38. The new system introduced in 2013/14 means that the council retains a proportion of any additional business rate income (above inflation) collected in the borough. The business rate, itself, is set by the government with regard to the change in the Retail Prices Index. The proportion retained in Hastings is 40% (9% is payable to ESCC, 1% to the Fire and Rescue Authority and 50% to the Government).

39. In order to project business rate income account is taken of planning approvals for new commercial buildings and for change of use to residential and an allowance is made for the likely reductions due to successful appeals against rateable values. Businesses see no difference in the way the tax is set. Rate setting powers remain under the control of central government and the revaluation process remains the same.

40. Under the scheme 50% of business rates is localised through a system of top-ups and tariffs that fix an amount to be paid by high yield authorities and distributed to low yield authorities – this amount being increased annually by inflation (CPI). Local authorities retain a proportion of all business rate growth or conversely experience a reduction in resources if the business rate base declines.

41. The 50% central government share is distributed through the formula grant process – thus enabling the government to control the overall amount received by local authorities. Where there is disproportionate growth this will be used to provide a safety net for those authorities experiencing little or negative growth and allow the treasury to top slice business rates income. A reset mechanism will be in place with the first reset in 2019/20. The system, the calculations required, accounting treatments, and particularly the budgeting requirements are not straightforward.

42. The changes increase the level of instability in the forecast of resources and the interaction with economic growth or decline will increase the associated risks. A decline in an industry within the borough could result in both a decrease in the business rate base and an increase in demand for Council Tax support – both increasing council costs.

43. Assumptions are made on national, regional and local growth as well as valuation appeals and collection rates.

44. The government after determining the business rates baseline levels included small business rate relief within its own budget proposals. This effectively reduced councils' income. The government is reimbursing authorities for this lost income which is estimated to amount to some £605,000 for Hastings in 2016/17 and will be significantly higher in 2017/18 given the number of small businesses excluded from rates altogether

(Rateable Value threshold moving from £6,000 to £12,000).

45. The 2017 rate revaluation appears to be detrimental to Hasting's BC own properties, with increasing rateable values particularly on car parks. The overall additional increase could exceed £100k p.a. once transitional relief expires. The level of instability and risk within the business rates area requires careful assessment when determining the overall level of council reserves. This will be undertaken as part of the annual budget and closedown processes.

Income and additional costs

46. The council has limited reserves and remains reliant upon income streams and investment returns to balance the budget. Given the welfare changes and low wage settlements there are continuing implications for a number of the council's income streams in the medium term. Rental streams from shops remain under considerable pressure e.g. Priory Meadow, and reduced rental income can be anticipated for some years ahead. A number of large supermarkets will have been assisted by a reduction in their rateable values.

47. Given that income streams remain at risk, fees and charges have been kept under careful review and are considered annually against the background of council priorities, local economy and people's ability to pay. In general the policy has been to increase by inflation. Car parking charges were set in February 2015 for a 24 month period (increases were applicable from 1 April 2015) and will be reviewed as part of the budget in February 2017.

Income Generation

48. The Council has a number of key income streams besides Council Tax and Non domestic rates. These include for example car parking, rents from land and industrial estates and shopping centres, cemetery, cliff railways, planning, licensing, lettings and land charges.

49. Given the significant funding reductions in the years ahead and the freedoms available for competent councils, the Council is looking to increase the income it can generate through trading which in turn may requires separate companies to be set up e.g. housing companies. Each and every opportunity will, like now, need to be supported by a careful evaluation of the opportunities and associated risks. To this end an Income generation board has been established which will operate within the Council's governance arrangements.

Investment and Borrowing

50. The low levels of interest received on balances looks set to continue for at least the next 6 months. Base rates are not expected to increase in 2016 from their current level of 0.25% and could fall further to 0.1%. The Council's treasury advisers are indicating a fall to 0.1% by December 2016 and spring 2018 as the potential date for the next interest rate increase back to 0.25%. Assumptions, given the restricted counterparties list and short investment periods, are for investment returns of around 0.5% in 2017/18.

The Treasury Management Strategy will continue to advocate a policy of keeping the respective levels of debt and investment under review.

51. The council has additional borrowing requirements in 2016/17 to finance the acquisition of Aquila House, the new factory on Castleham and potentially the Coastal Space housing initiative being carried out in partnership with Amicus Horizon and other capital schemes.

Inflation

52. This has not been a major issue over the last couple of years. Inflation in September 2016 was 2.0 % (Retail Price Index) whilst the government's preferred measure CPI (Consumer Price Index) was 1.0%.

53. The council allowed 1% for inflation in 2016/17, and 2% for the years beyond in its budget projections, but only increased budgets where contracts with inflation clauses were present.

54. Inflation, according to the Bank of England August 2016 inflation report is expected to start increasing again and be at or around the 2% target in the next two years, but some commentators are suggesting a spike of around 3% next year. Based upon these projections, general inflation is being estimated at 2% in 2017/18 and beyond for the purposes of this strategy, with only contracts with inflation indices being allowed for i.e. a freeze again for all other service expenditure areas. Any increases above this level would need to be catered for within the contingency budgets or savings from service budgets within the year.

Public Sector Pay Settlement

55. The figures in the strategy assume a 1% increase for 2017/18 and beyond. In addition there are contractual increments (equivalent of around ½%).

56. The salaries budget together with national insurance and pension costs amounts to some £11.2m in 2016/17. The estimated costs will increase by some £190,000 in 2016/17 (before the effects of the revaluation).

Localisation of Council Tax Support & Benefit Administration Grant

57. In 2013/14 the government paid an upfront grant in respect of Council Tax Support, leaving the council to fund any "in year" increase in demand. In 2014/15 the Council Tax Support Grant was rolled into the Settlement Funding Assessment and thus effectively decreases in line with the annual reductions in grant funding. The council determined that the Council Tax Support Scheme would remain the same for 2015/16 and again for 2016/17.

58. The other East Sussex Councils amended their schemes for 2016/17, the major change being that all households of working age made a minimum 20% payment. Options have again been explored by this Council for 2017/18 and a report is being considered by Cabinet in November 2016 and shortly thereafter by full Council. A

decision has to be made before the 31 January on whether to amend the scheme for 2017/18. In practical terms the decision needs to be taken earlier in order that the Council Taxbase can be calculated. For the purposes of this strategy it is assumed that no amendments to the scheme are taking place.

59. In terms of Universal Credit the programme of transfer was originally expected to commence in October 2013 in respect of new claims with existing claims being completed by 2017/18. The first transfer actually took place in April 2015 but has had relatively little impact on the service to date. This is however set to change on 14 December 2016 when all new claims for those of working age and some changes of circumstances will be for Universal Credit. The impact of this will be for a reduction in benefit claims, an increase in questions, and a reduction in the Council Tax and Housing Benefit administration grant receivable in the years ahead (£758,572 receivable in 2016/17) remains an uncertainty.

60. The costs cannot be properly budgeted for as yet but for forecasting purposes a £100k reduction has been assumed in the Benefit Administration Grant for 2017/18, 2018/19, and 2019/20 (£300,000cumulative reduction). The government have previously stated that TUPE will not apply, but that they may meet the redundancy costs should these arise – providing the Council can prove it has taken all possible steps to avoid such costs.

Investment in Council Assets

61. In protecting the economic vitality of the town, it remains important to maintain the council's commercial estate in order to maximise occupancy rate and to support the local economy as far as possible. In doing so the council will be in a position to take advantage of any sustained upturn in the economy in the future.

62. The council has committed to invest in its industrial units, with a new industrial unit at Castleham nearing completion, and other potential freehold land and leaseholds being negotiated. The Council will look to build these out for a commercial return subject to business cases and contract terms making the schemes viable.

63. The council's Renewals and Repairs Fund is reviewed on a regular basis in order to ensure sufficient resources are available to fund necessary works. Planned maintenance is normally cheaper in the long term than reactive maintenance. Additional substantial calls (£200,000 in 2016/17 and £200,000 in 2017/18) have been made on the fund for works on the cliffs in 2016/17 and 2017/18. Further sums will be required for the years beyond.

Capital Receipts

64. The council's land disposal programme for this financial year was budgeted to produce capital receipts amounting to £530,000 in 2016/17, £4,322,000 in 2017/18, and £50,000 in 2018/19.

65. The programme is being reviewed as part of the budget. Currently the programme has exceeded the original budget estimate but as a result of the sale of land at Summerfields completing in 2016/17 rather than 2015/16.

66. Capital receipts will continue to be received in the period of the strategy, but given the state of the property market careful timing of any asset sales is required. The focus on income generation is calling into question whether the Council sells surplus assets (land or buildings). The presumption being it will only do so after considering the income generation potential.

67. It remains imperative that the council maximises its capital receipts. Failure to do so may necessitate curtailment of the already very limited capital programme or result in the council having to borrow.

Priority Income and Efficiency Reviews (PIER) Process

68. The consideration of budget options by lead members and officers enables a detailed examination of service performance and priorities, cost pressures, and the scope for achieving efficiency savings and additional income.

The objectives of the process are as follows:-

- To provide services with an opportunity to submit proposals for the business plan. The proposals include all unavoidable growth and savings amounts.
- To allow service delivery proposals to be measured against the corporate plan objectives.
- To provide a mechanism for challenging service proposals in an informed, robust and constructive fashion.
- The revenue estimates and the capital programme are closely linked. As such service bids for capital funding are considered at the same stage.

69. In addition to the annual PIER process the council continues to have a programme of areas to review e.g. service reviews, and business re-engineering process reviews in order that efficiencies continue to be achieved, monitored and potential new areas identified.

70. The scale of the budget savings required to balance the budget on a sustainable basis for 2017/18 and beyond is large. As such the PIER process will be enhanced with a series of ground up reviews by lead members and officers – initially on a trial basis. The first of these looked at the Cleaning contract and was found to be constructive and very helpful. The time between the identification and the achievement of savings, as well as income generation, can be significant and the council will need to be prepared to continue to use a proportion of its reserves to balance the budget and also potentially for future invest to save initiatives.

Pension Fund Contributions

71. The council's contributions to the pension fund managed by East Sussex County Council are determined every three years following an actuarial valuation. A new valuation is being undertaken in 2016 with revised contribution rates becoming payable from April 2017.

The rates currently payable by the council consist of the primary contribution rate plus 1% for future early retirements/redundancies (these are percentages of salaries of staff in the pension scheme), namely:

2014/2015 - 20.6% +1% + lump sum of £144,000
2015/2016 - 20.6% +1% + lump sum of £194,300
2016/2017 - 20.6% +1% + lump sum of £248,800

72. It should be noted however that the level of redundancies, early retirements, and transfer of services can significantly affect the valuation, and this will remain a risk to the council in 2017/18 and beyond. An increase of £100,000 p.a. in the Council's contributions has been included for 2017/18 – a better estimate will be available at the end of November 2016.

Staffing, Information Technology and Property

73. In order to deliver its priorities the council not only requires financial resources but also good quality staff, IT, and property. There is only a finite resource available to deliver priorities whether directly by the council or in partnership with others. Service planning is important to ensure that there is sufficient capacity to deliver the annual plan.

74. A number of staff within the council are employed on temporary or fixed term contracts to match the temporary funding streams received. Where such funding streams may end it is necessary to identify exit strategies in order to meet any redundancy costs or to mainstream successful initiatives.

75. The council's capacity to respond to change, and lead on new initiatives is dependent upon the strengths and abilities of the workforce. The council has a clear strategy for workforce development and sufficient funding will be retained within the budget to fully finance the training and development programme.

76. A transformation team has been pulling together the customer first programme, process and service reviews along with IT solutions to make long term efficiencies and improvements to the customer experience.

Grants

77. The council receives a number of revenue grants each year e.g. New Homes Bonus, but has also been very successful in attracting numerous "one off" type grants in the last couple of years e.g. Rogue landlord funding, Coastal Revival funding, Future Cities, and Active Women Programme, Answers in the Local Economy (ACE), Hastings Fisheries Local Action Group (HFLAG).

78. Regional and European funding successes have been very significant for Hastings. The council has made further grant applications for very substantial sums of money and will

continue to look to attract such funding to Hastings in the years ahead. Recent bids which the Council is involved in include, for example, Climate Active Neighbourhoods (CAN) (£870,000 over 3 years), Sustainable Housing Inclusive neighbourhoods (SHINE) (£1.5m over 4 years), Community Led Local Development (CLLD) (£3.3m), Destination White Rock – continuing the economic revival (£1.5m over 2 years), HFLAG 2 , (DIY TOV)DIY Regen: Transforming Ore Valley (£3.9m). If all, or most of these bids are successful the regeneration work within Hastings should remain significant.

New Homes Bonus

79. This grant regime commenced in April 2011. This is a grant that rewards the building of new houses and for bringing long term empty properties back into use. The sum receivable in 2016/17 amounts to £1,387,912 and represented an increase of some £382,000 on that received in 2015/16.

80. The government announced in the November 2015 Autumn Statement that it will be consulting on changes to the New Homes Bonus - the money saved going to Social Care. The changes to the scheme will commence in April 2017.

81. One of the proposals is to reduce the period that it is payable for - from 6 years to 4 years with a transition year potentially for 2017/18 whereby 5 years is one option. Other options for consultation include reducing the period down to 3 or even 2 years.

82. The table below shows the New Homes Bonus receivable by the Council and the potential income receivable in 2017/18 if the scheme reduces to 5 years in 2017/18 and 4 years in 2018/19 and beyond. The government have produced their own estimates which give forecasts of £1.4m in 2017/18, £882k in 2018/19, and £846k in 2019/20.

Table: New Homes Bonus

Year	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18 (Est)	2018/19 (Est)
	£	£	£	£	£	£	£	£
Year 1	194,710	194,710	194,710	194,710	194,710	194,710		
Year 2		189,838	189,838	189,838	189,838	189,838		
Year 3			119,097	119,097	119,097	119,097	119,097	
Year 4				382,670	382,670	382,670	382,670	
Year 5					119,542	119,542	119,542	119,542
Year 6						382,055	382,055	382,055
Year 7							100,000	100,000
Year 8								200,000
Total								

	194,710	384,548	503,645	886,315	1,005,857	1,387,912	1,103,364	801,597

83. Councils are using the bonus in different ways, either to help balance budgets, strengthen reserves, or for one off activities that do not add to ongoing spending commitments. For Hastings, the new homes bonus has been fully utilised to help balance the budget in 2016/17. If the scheme ends or the level of grant reduces as per the consultation the Council will lose £284,000 in 2017/18 and a further £302,000 in 2018/19 (£586,000 in total) unless the national grant distribution methodology is substantially revised.

84. The New Homes Bonus has been an important part of the government's effort to use funding to incentivise growth. The grant is currently funded by top-slicing the general formula grant and there are already real concerns over the re-distributional effects which can disadvantage deprived areas of the country with lower house prices or in areas where developers are less likely to want to build or where land is expensive to develop.

85. The estimate for 2017/18 has been projected at £100,000 and £200,000 in 2018/19 for planning purposes.

86. There remains a real risk that this grant regime could be ended, particularly if all business rates are returned to Councils in 2019/20.

Indicative Base Budget Position for 2017/18 to 2019/20 and Assumptions

87. An Indicative budget forecast for the 3 year period 2017/18 – 2019/20 has been produced (Appendix 1) to reflect the issues raised as part of the review of the MTFS. This is indicative given the uncertainty surrounding the costs of some of the financial pressures and funding levels and the recognition that further work is required to refine these figures before the budget is finalised in February 2017.

Summary of Financial Position

	2016/17 (£000's)	**2017/18 (£000's)**	**2018/19 (£000's)**	**2019/20 (£000's)**
Net Expenditure	15,113	15,358	15,358	15,694
Funding	(14,292)	(15,676)	(13,070)	(12,553)
Shortfall	**821**	**1,683**	**2,522**	**3,141**
Use of Reserves	(821)	(950)	(950)	(341)
Estimated Shortfall	0	733	1,572	2,800

88. The table above shows deficits of £1.7m in 2017/18, £2.5m in 2018/19 and £3.1m in 2019/20, before the use of reserves. The above figures assume PIER savings that have already been identified will be achieved or alternative savings to at least the same amount will be achieved.

Council Tax

89. The council has a record of lower than average tax increases.

Year	Hastings BC Tax Increase	National Average Increase	Hastings BC Council Tax Band D (£)
2004/05	4.5%	5.9%	196.44
2005/06	3.8%	4.1%	203.86
2006/07	2.4%	4.5%	208.75
2007/08	3.5%	4.2%	216.06
2008/09	3.5%	3.9%	223.62
2009/10	3.5%	3.0%	231.45
2010/11	1.9%	1.8%	235.85
2011/12	0%	0%	235.85
2012/13	0%	0.3%	235.85
2013/14	0%	0.8%	235.85
2014/15	0%	0.9%	235.85
2015/16	1.9%	1.1%	240.33
2016/17	2.1%	3.1%	245.33

90. In considering any Council Tax increase in 2017/18 because of the fact that the council taxbase has decreased (due to the Council Tax Support Scheme and the government now paying grants to individual councils) 1% on the Council Tax will equate to around £60,000.

91. For 2016/17 the government announced that should a council wish to increase Council Tax by 2% or more and £5, then it will be required to hold a referendum. At the time of writing the same thresholds are expected for 2017/18.

92. As previously stated the MTFS includes the assumption of a 1.99% or £5 increase (whichever is higher) in Council Tax for 2017/18 and the years beyond.

CAPITAL

93. Resources for major capital projects remain scarce. For projects to be considered schemes need to meet the following criteria:-

(a) Contribute towards achieving the council's corporate priorities
and one or more of the following,

(b) be of a major social, physical or economic regeneration nature,

(c) meet the objective of sustainable development,

(d) lever in other sources of finance such as partnership/lottery funding or provide a financial return for the council,

(e) is an "invest to save" scheme and reduces ongoing revenue costs to assist the revenue budget.

94. The council's capital programme for 2016/17 and the next 2 years, as approved in February 2016, amounts to some £10m (£3.4m net of grants and contributions). The programme has since been enhanced with a number of acquisitions and new schemes. The capital programme will be considered as part of the budget process and decisions taken in the light of available resources.

95. Incremental impact on Band D Council Tax: In determining the affordability of new capital proposals the council is required to consider the incremental impact on the Council Tax for future years. The impact is expressed in Band D equivalent amounts on the Council Tax. The purpose is to give the council the opportunity to consider options for capital proposals and to highlight the potential future financial burden of capital investment decisions. Some capital investments will generate efficiency savings which go part way to mitigating the revenue implications.

96. For the purposes of planning the council uses 9% as the cost of capital (4% capital repayment and 5% in respect of long term interest). If an asset has a shorter life (than 25years) then the capital repayment percentage (4%) must increase e.g. percentage becomes 10% for an asset with a 10 year life. When looking at the viability of individual schemes being proposed real rates of interest are used.

97. Whilst the capital programme has significantly reduced in the last few years, opportunities for income generation may see a reversal. In the current year the acquisition of Aquila House for £4.4m (including costs) is an example.

98. There is a need to maintain assets to avoid higher maintenance costs and declining assets. This is vital where the council's commercial estate is involved if rental streams are to be maintained and industry is to be attracted to the area - and also given the increase in competition for tenants. The council maintains a Renewal and Repair Reserve for significant items of programmed work. Where major works or alterations are required these will be included within the capital programme.

Minimum Revenue Provision (MRP)

99. Local authorities are required each year to set aside some of their revenues as provision for debt repayment. Unlike depreciation which is reversed out of the accounts, this provision has a direct impact on the Council Tax requirement. The provision is in respect of capital expenditure that is financed by borrowing or credit arrangements e.g. leases. For example, an asset that cost £100,000 and has a 10 year life, and that was financed by borrowing, would necessitate putting aside £10,000 in each year (£100,000 divided by 10) to repay the debt.

100. The council is required to make a “Prudent Provision” which basically ensures that revenue monies are set aside to repay the debt over the useful life of the asset acquired. Should the existing financing assumptions alter, and additional borrowing is required, there will be a direct and additional pressure on the revenue budget.

101. The MRP is set to increase substantially in 2017/18 and beyond as a result of additional borrowing in 2016/17. The Council’s MRP policy, to be determined by full Council in February 2017 for the forthcoming year, may also be amended to enable a different approach to be adopted where property and investment decisions are involved. Such a change to mirror debt repayments linked to borrowing through annuities for example.

Reserves

102. The strategic reasons for holding reserves are:-

(a) A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing

(b) A contingency to cushion the impact of unexpected events or emergencies

(c) A means of building up funds to meet known or potential liabilities. Such reserves are referred to as Earmarked reserves.

(d) To assist in the transition to a lower spending council in the years ahead.

(e) To provide the council with some resources in future years to meet corporate objectives particularly in the areas of economic development and community safety.

103. It should be noted that capital receipts can generally only be used for capital purposes. There is a new flexibility which allows new receipts to be used to meet effectively invest to save initiatives. Capital receipts could also be used to meet the Minimum Revenue Provision but this is only a short term expedient. Reserves and movements thereof will be reviewed as part of the budget process.

104. For the purposes of the strategy reserves at 31 March 2017 are estimated to consist of:-

General Reserves	**Estimated Balance at 31.3.2017 £‘000s**

Revenue Reserves	7,188
Capital Reserve (Revenue monies)	336
Total	**7,524**

Earmarked Reserves	**Estimated Balance at 31.3.2017 £'000s**
Renewals and Repairs Reserve	1,183
Insurance & Risk Management Reserve	320
IT Reserve	74
S106 Reserve	422
VAT Reserve (incl. Senior and Youth support &Capital contributions)	30
Government Grant Reserve	448
Revenue Hardship Fund	80
Monuments in Perpetuity	42
Ore Valley	250
Mortgage Reserve (LAMS)	157
Invest to Save and Efficiency Reserve	0
Resilience and Stability Reserve	300
Transition Reserve	1,640
Redundancy Reserve	423
Community Safety Reserve	350
Economic Development Reserve	503
Other reserves	161
Total	**£6,383**

105. The Council's earmarked reserves are reviewed at least twice a year for adequacy. If at any time the adequacy is in doubt the Chief Finance Officer is required to report on the reasons, and the action, if any, which he considers appropriate.

106. The protection of key services remains of crucial importance to the council and the Transition Reserve, Economic Development Reserve and Community Safety Reserve has provided the council with the opportunity to protect some key services and activities into the future e.g. the ability to continue regeneration and attract grant funding to the town remains a key priority. The strategy continues to identify

the use of these reserves in 2017/18 and beyond.

107. The budget report will advise further on the minimum level of reserves to be maintained. Given the future grant losses, the need to transform services on a continuing basis until 2020 and potentially beyond, and the need to cope with unexpected events or claims the minimum level of reserves retained was increased to £5m. The claim from Manolete partners in respect of the pier and restricted access is an example of the need to retain adequate reserves.

108. At 31 March 2017 General and Capital Reserves will amount to an estimated £7.3m, of which some is already committed e.g. empty homes strategy. The balance and use of the reserves will be considered further as part of the budget process and be determined in light of the 2017/18 budget, priorities for income generation and the risks that the Council faces.

Budget 2017/18 and beyond

109. To help ensure that the council can continue to deliver key services over the next three years and continue the process of transformation to a lower spending council, the use of specific reserves established e.g. Transition Reserve will occur.

110. To achieve a balanced budget in 2017/18 (without using reserves) further savings of £1,683,000 would need to be identified.

111. To achieve a balanced budget in 2018/19 (without using reserves) savings of £2,522,000 need to be identified. This figure reduces to £733,000 after allowing for part use of the Community Safety Reserve(£100,000), part use of the Economic Development Reserve (£100,000), and a further £750,000 from the Transition Reserve.

112. To achieve a balanced budget in 2019/20 (without using reserves) savings of £3,141,000 need to be identified. This figure reduces to £2,800,000 after allowing for part use of the Community Safety Reserve(£100,000), part use of the Economic Development Reserve (£100,000), and a further £141,000 from the Transition Reserve.

113. These figures do need to be treated with some caution given that there are funding decisions awaited from the government and greater uncertainties than ever in the budgeting process. The volatility in income streams has increased in respect of the business rate retention scheme.

114. The Reserves policy, to be determined as part of the budget process, will continue to take account of these risks, and will also need to take into account the ability of the council to address the indicative funding gaps within the timescales identified. For the purposes of financial planning the use of £3.062m of reserves has been included within the strategy for the period 2016/17 to 2019/20 which would still leave the council with sufficient reserves to meet significant and unexpected expenditure items. The Council needs to find cumulative savings, after the use of these reserves, amounting to £5.1m to achieve balanced budgets.

115. The key determinants of the gap for future years include, the EU exit vote (Brexit) and impact on income streams and funding, funding settlement in 2019/20, the new homes bonus, Benefit Administration grant, Business rates income and appeals, NHS rates claim, the level of savings that can be identified and actually achieved and the level of additional income that can be generated.

116. In view of the reduced resources available in 2017/18 and beyond the council will need to continue to review the level of service it can provide and transform the way it delivers those services. Priority at least in the short to medium term needs to be directed towards income generation and balancing the budget.

Risk Management

117. Numerous risks are highlighted in this strategy, and further comment is made below. To balance the budget the council continues to seek efficiency savings, review the capital programme, review fees and charges, look for income generation opportunities and potentially identify further cuts in services and staff numbers. It will need to further prioritise its objectives and identify where it will need to make savings to balance the budget in the years ahead.

118. Given the long term uncertainty in funding streams and potentially taking on more risk when making investment decisions the council needs to take every opportunity to strengthen reserves e.g. to cover void periods for example if investing in housing or commercial property, whilst also using them to continue to transform itself to a lower spending council.

119. The council needs to continue to invest in its people, its IT services and its commercial assets. The council continually seeks to identify further opportunities for collaborative working, plus identify, investigate and implement efficiencies, the level of service in contract specifications, identify income generation opportunities and ensure that potential savings are monitored and achieved.

120. The council maintains risk registers for corporate risks and for individual services. These continue to be updated and reviewed on a regular basis and steps are taken to mitigate the risks wherever possible and practical. The transition to a lower spending council, by joint working, joint procurement and reduced staffing levels also poses additional risks.

121. Key financial risks to the council in future years include:-

i. Government funding, including the New Homes Bonus grant

ii. Business Rate Retention scheme – volatility thereof, and level of appeals

iii. Council Tax Support Scheme and Council Tax collection rates

iv. Income Streams – preservation and particularly enhancement

v. Joint working/ shared services.

vi. Staffing / Knowledge management. The loss of key staff through early retirement or redundancy.

vii. Welfare Changes (Universal Credit and Council Tax Support Scheme).

The Council Tax Support Scheme was introduced from April 2013 accompanied by government funding reductions of 10%. Whilst the council mitigated much of the impact on those claiming benefits it may not be able to do so to the same degree in the future following further reductions in government support. There remains the additional risk of increased benefit payments being made in the year – the financing risk now falling on the council. To help protect the council a Resilience and Stability Reserve was established for 2013/14 onwards to help meet any unavoidable additional costs that arise in the year.

viii. Restructuring Costs

In order to make savings of the magnitude required, the council will need to reconsider what services it can provide and to what level. Further restructuring is inevitable if a sustainable budget is to be achieved in the years ahead. Voluntary and/or compulsory redundancies have large financial consequences for the authority, both in terms of direct payments but also generally on the pension fund - in addition to the effect on the capacity of the organisation and knowledge management implications. The council established a redundancy reserve which will continue to assist in transforming the council to a lower spending organisation in the years ahead.

ix. Treasury Management

Investment security and level of returns, plus level of debt and repayment thereof. The exposure to interest rate movements and inflation

x. The Economy

The economic and financial instability in the world continues to be major risk especially so following the Brexit referendum.

xi. Income generation and risks arising from new initiatives e.g. social lettings agency, licensing schemes, new factory units. These would include added exposure to void periods and business rate and debt liabilities for example.

122. The council has a statutory duty to set a balanced revenue budget each year and this strategy seeks to highlight the major issues (in advance) in order to do so.

Equalities and Community Cohesiveness

123. The equalities implications of the budget proposals are the subject of an Equalities Impact Assessment.

Consultation

127. The 2017/18 budget proposals will be consulted upon from the middle of January 2017 and will be considered by Cabinet on the 13 February 2017 and determined by full Council on 22 February 2017.

Contact Officer: Peter Grace (Assistant Director – Financial Services and Revenues)

Email pgrace@hastings.gov.uk

Ref	Revenue Budget Forward Plan	2016-17 Budget £000's	2016-17 Revised Budget £000's	2017-18 Projection £000's	2018-19 Projection £000's	2019-20 Projection £000's
1	**Net Service Expenditure**	**15,367**	**15,367**	**15,514**	**15,828**	**16,148**
2	**Funding Commitments:-**					
3	Pension Fund - Employers increase			100	100	100
4	Election Costs (bi-annually)			0	70	0
5	Apprenticeship Levy (0.5%)			50	50	50
6	Pebsham Landfill Site income			25	30	40
7	Planning Staff		90	63	63	63
8	Rates Revaluation			40	80	100
9	Business Improvement District			7	7	7
10	Waste and Street Cleaning Contract			50	50	50
11	**Savings/Additional Income Identified**					
12	Aquila House Purchase (net)		(150)	(50)	(50)	(50)
13	Waste and Parking Team - temp Post			(8)	(8)	(8)
14	Council Tax Exemption - Class C			(45)	(45)	(45)
15	PIER savings - CPF			(18)	(36)	(54)
16	PIER -Digital by Design			(162)	(162)	(162)
17	Fees and Charges			(60)	(120)	(180)
18	Benefit Administration Grant - offsetting savings			(100)	(200)	(300)
19	Energy			(50)	(50)	(50)
20	Chalets -new			(40)	(40)	(40)
21	**Funding Adjustments e.g grants, R&R profiling**					
22	Profile of R&R spend			(372)	(372)	(372)
23	Income - Sport centres - Bowling Club			(15)	(15)	(15)
24	Add back govt grant reserve funded items			(138)	(138)	(138)
25	Add back White Rock area development			(50)	(50)	(50)
26	Add back Pier Legal Fees			(100)	(100)	(100)
27	Social Lettings - break even point			(59)	(59)	(59)
28	Clinical commissioning group - profile			(315)	(315)	(315)
29	Invest to Save -profile			(249)	(249)	(249)
30	Loans - Discounts and Premia profile			32	51	51
31	Contingency Provision	400	400	400	400	400
32	Interest Payments (net of earnings)	218	218	338	338	338
33	Capitalised staff costs - DFG's	(30)	(30)	(30)	(60)	(60)
34	Minimum Revenue Provision	520	520	686	680	680
35	Contribution to Reserves	996	996	996	996	996
36	Net Use of Earmarked Reserves	(2,298)	(2,298)	(1,082)	(1,082)	(1,082)
37	**Net Council Expenditure**	**15,173**	**15,113**	**15,358**	**15,592**	**15,694**
38	Taxbase	24,678	24,678	24,778	24,828	24,877
39	Council Tax	245.33	245.33	250.33	255.33	260.33
40	**Funding**					
41	From Collection Fund - Council Tax	(6,054)	(6,054)	(6,203)	(6,339)	(6,476)
42	From Collection Fund - Business Rates	(3,060)	(3,060)	(3,145)	(3,210)	(3,210)
43	Revenue Support Grant	(2,835)	(2,835)	(2,038)	(1,542)	(988)
44	New Homes Bonus	(1,388)	(1,388)	(1,103)	(801)	(801)
45	New Homes Bonus return funding	(8)	(8)	0	0	0
47	Housing Benefit Admin Grant	(750)	(750)	(650)	(550)	(450)
48	Transition Grant	(6)	(6)	(5)		
49	NNDR (Surplus) / Deficit	639	639	316	0	0
50	NNDR Pooling	(58)	(58)	0	0	0
51	Business Rates Section 31 Grant	(606)	(606)	(616)	(628)	(628)
52	Council Tax Surplus	(165)	(165)	(232)	0	0
54	**Contribution To General Fund**	**(14,292)**	**(14,292)**	**(13,676)**	**(13,070)**	**(12,553)**
56	**Funding Shortfall / (Surplus)**	**881**	**821**	**1,683**	**2,522**	**3,141**
57	**Use of General Reserve**					
59	**Use of Transition Reserve**	(581)	(521)	(750)	(750)	(141)
60	**Use of Resilience and Stability Reserve**	(300)	(300)			
61	**Use of Community Safety Reserve**	0	0	(100)	(100)	(100)
62	**Use of Economic Development Reserve**	0	0	(100)	(100)	(100)
64	**Net Funding Shortfall / (Surplus)**	**0**	**0**	**733**	**1,572**	**2,800**

Key Assumptions

Line 1 General Inflation has been assumed of 2% for 2017/18 and beyond – but only applied to contracts. Wage inflation: 1% assumed for 2017/18 and beyond plus ½% p.a. representing contractual increments.

Line 3 Pension fund cost increases – an additional £100,000 p.a. for 17/18 and beyond.

Line 4 Local elections – the costs are budgeted for in 2018/19 (these occur every two years).

Lines (5) Apprenticeship levy from 1 April 2017 – may be offset by a reduction in the training budget

Line 7 Additional growth agreed by Cabinet in 2016/17

Line 8 Rating revaluation to apply from 1 April 2017. These figures will be updated once individual valuations and the impact of the transition scheme are calculated

Line 9 Subject to a vote – the strategy assumes a yes vote.

Lines 11 to 20 – savings/ income generation Including Priority Income and Efficiency Review savings achieved or to be achieved.

Lines 21 to 36 – funding adjustments and reprofiling of expenditure against base budget

Line 38 Recalculation of the taxbase. Assumes a small increase each year, and no downturn in the economy or increases in the amounts paid out in respect of the Council Tax Support scheme.

Line 39 A Council Tax increase of £5 for 2017/18 and for each of the following 2 years has been included for the purposes of this Strategy.

Lines 40 to 48 Funding. The increased scope of Universal Credit in December 2016 for all new claims (for those of working age) leads to greater uncertainty on the future funding levels of the Housing Benefit Administration Grant. For budget planning purposes a decrease of £100,000 has been assumed for each of the next 3 years. Discretionary Housing Payments are not shown separately in the funding statements – details of the level received (once known) will be included within budget papers.

Line 49 Deficit on the collection fund in respect of business rates due mainly to prior year appeals and reimbursements. This is the Council's share.

Line 50 Business rates pooling – with other East Sussex authorities including the Fire authority. This may or may not be continued in 2017/18 given the level of potential appeals.

Line 51 The government has extended a number of rate reliefs e.g. the small business rate relief scheme to £12,000 from 1 April 2017. This results in the loss of business rate income to the council. The government reimburses the monies by way of a one off grant (termed section 31 monies). The amount and timing of the payment remain uncertain for 2017/18 and beyond, but the figure detailed will increase substantially, whilst direct rates income collected (line 42) will decrease by a similar amount.

Line 52 Surplus on the Collection fund in respect of Council Tax collection, mainly due to good collection and reductions in Council Tax Support being paid. This is the Council's share.

Line 59 Transition Reserve – The council will use the Transition Reserve to support the budget in future years.

Line 60 Resilience and Stability Reserve – The Council will use the fund to meet some of the detrimental impacts of the business rate appeals.

Line 61 Community Safety Reserve – established as part of the 2011/12 budget from Transition Grant (£350,000). The use of this reserve in 2017/18 is proposed in order to continue provision of services and activities in this area.

Line 62 Economic Development Reserve – established as part of the 2011/12 budget making process from Transition Grant (£400,000). The use of this reserve in 2017/18 is proposed in order to continue the provision of services and activities in this area.

Line 64 Funding Gap: the predicted deficits in 2017/18, 2018/19 and 2019/20

This page is intentionally left blank

Agenda Item No:

Report to: Cabinet

Date of Meeting: 7 November 2016

Report Title: **Treasury Management - Mid Year Report 2016-17**

Report By: Peter Grace
Assistant Director – Financial Services and Revenues

Purpose of Report

This report advises the Cabinet of the Treasury Management activities and performance during the current year. It provides the opportunity to review the Treasury Management Strategy and make appropriate recommendations to Council to take account of any issues or concerns that have arisen since approving it in February 2016.

Recommendation(s)

1. **Cabinet ask the Audit Committee to explore investment opportunities in property funds and the treasury management implications for the Council of making larger investments in, for example, commercial property, housing, and energy as part of the Council's income generation strategy.**
2. **The Audit Committee to consider the substantial implications and risks to the Council at its meeting in January 2017 when considering the proposed Treasury Management Strategy for 2017/18, with a view to making recommendations to the meetings of Cabinet and Council in February 2017.**

Reasons for Recommendations

The Code of Practice on Treasury Management requires, as a minimum, a mid-year review of Treasury Management Strategy and performance. This is intended to highlight any areas of concern that have arisen since the original strategy was approved (February 2016). It is a requirement of the Code of Practice that the Mid-year review is considered by Cabinet and full Council.

The Council is seeking to increase its levels of income generation and this will entail new borrowing over potentially long periods, with consequent risks in terms of asset valuations, credit worthiness, cash and reserve fund availability. Such risks cannot be considered in isolation of all the issues facing the Council now and potentially in the future.

Background

1. The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure in combination with funding from reserves. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

2. The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing needs of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

3. Accordingly, treasury management is defined as:

   "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

Introduction

4. The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2011) was adopted by this Council In February 2015.

5. The primary requirements of the Code are as follows:
   - Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
   - Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
   - Receipt by the full council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report (stewardship report) covering activities during the previous year.
   - Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
   - Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is the Audit Committee.

6. This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

   - An economic update for the first part of the 2016/17 financial year;
   - A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
   - The Council's capital expenditure (prudential indicators);
   - A review of the Council's investment portfolio for 2016/17;
   - A review of the Council's borrowing strategy for 2016/17;
   - A review of any debt rescheduling undertaken during 2016/17;
   - A review of compliance with Treasury and Prudential Limits for 2016/17.

7. The Committee will need to determine whether there are any issues that require the amendment of the Council's Treasury Management Strategy or Investment Policy and that they therefore wish to draw to the attention of Council. The Audit Committee will consider a similar report at their meeting in January 2017. At the meeting in September 2016 no changes to the 2016/17 strategy were proposed when reviewing the effectiveness of the strategy for 2015/16.

Economic Update

8. Following on from Brexit and with renewed global macro-economic uncertainty surrounding another possible US rate hike at year end, market participants are hedging their bets against all possible outcomes.

9. UK GDP growth rates in 2013 of 2.2% and 2.9% in 2014 were the strongest growth rates of any G7 country. However, the 2015 growth rate finally came in at a disappointing 1.8%, though it still remained one of the leading rates among the G7 countries. In 2016 growth was +0.4% in quarter 1 and +0.6% in quarter 2, (first estimate), but forward looking indicators point to a sharp slowdown in the second half of 2016 as a result of the Brexit vote.

10. During most of 2015 the economy had been difficult for exporters due to the strong pound, and weak growth in the EU, China and emerging markets, plus the dampening effect of the Government's continuing austerity programme and uncertainty created by the Brexit referendum. However, since the peak in November 2015, sterling has fallen in value, especially after the referendum result, which will help to make British goods and services much more competitive and will increase the value of overseas earnings by multinational companies based in the UK.

11. The Bank of England August Inflation Report included a sharp reduction in forecasts for growth for 2017 at +0.8% and for 2018 at 1.8%, though 2016 was kept at 2.0%. While this does not indicate the economy could go into recession in the second half of 2016, growth is expected to be minimal during that period.

12. The American economy had growth in 2015 of 2.4%. Quarter 1 of 2016 came in at a weak 0.8% (annualised) and quarter 2 at 1.2% (first estimate). While these overall figures were disappointing, they were affected by a significant run down in inventories which masked an underlying strength in consumer demand; forward indicators are therefore pointing towards a pickup in growth for the rest of 2016.

13. Volatility has also returned in the oil market as production cuts emerge from the Organisation of the Petroleum Exporting Countries (OPEC), as Iran agrees to follow suit but Iraq has not – at least at the time of writing. Prices are currently just over $50 per barrel.

14. The British Bankers Association’s (BBA) Mortgage approval rates for the UK show a fall in approvals for the month of August to its lowest level since January 2015. British Banks approved 36,997 housing mortgages in August, down from 37,672 in July as activity in the sector continues to slow.

15. In the UK and the Eurozone release of the latest consumer confidence figures revealed better than expected results. British consumer morale rocketed back to pre-Brexit levels in September. The latest figures portray British consumers as having shrugged off Brexit fears about the economy as wages continue to grow faster than prices and low interest rates encourage people to spend.

16. Britain's dominant services sector grew more than anticipated in July, thus providing further confirmation that the economy did not slow sharply after the shock of the country's Brexit vote in June. Consumer demand remained the largest driver of growth in the economy as spending by households grew by 0.9 percent from the first quarter, even as their disposable income grew more slowly. The data will help the BoE to decide whether it needs to cut interest rates again at its next meeting in November. In a separate release, British House prices rose more slowly in September than in August, adding to signs of a cooling in the housing market. In monthly terms, house prices rose by 0.3 percent, also slowing from a rise of 0.6 percent in August.

17. For the Euro currency bloc, the seasonally adjusted unemployment rate registered a reading of 10.1 percent in August, stable compared to July 2016, but still down from 10.7 percent in August 2015. This still remains the lowest rate recorded in the euro area since July 2011. This closely monitored figure indicates that the unprecedented monetary stimulus from the ECB seems to be encouraging a glacial-like recovery in the labour market. Though, the rate has come down, it still suggests that a structural shift is needed in European policy to specifically tackle the unemployment problem.

Interest rate forecasts

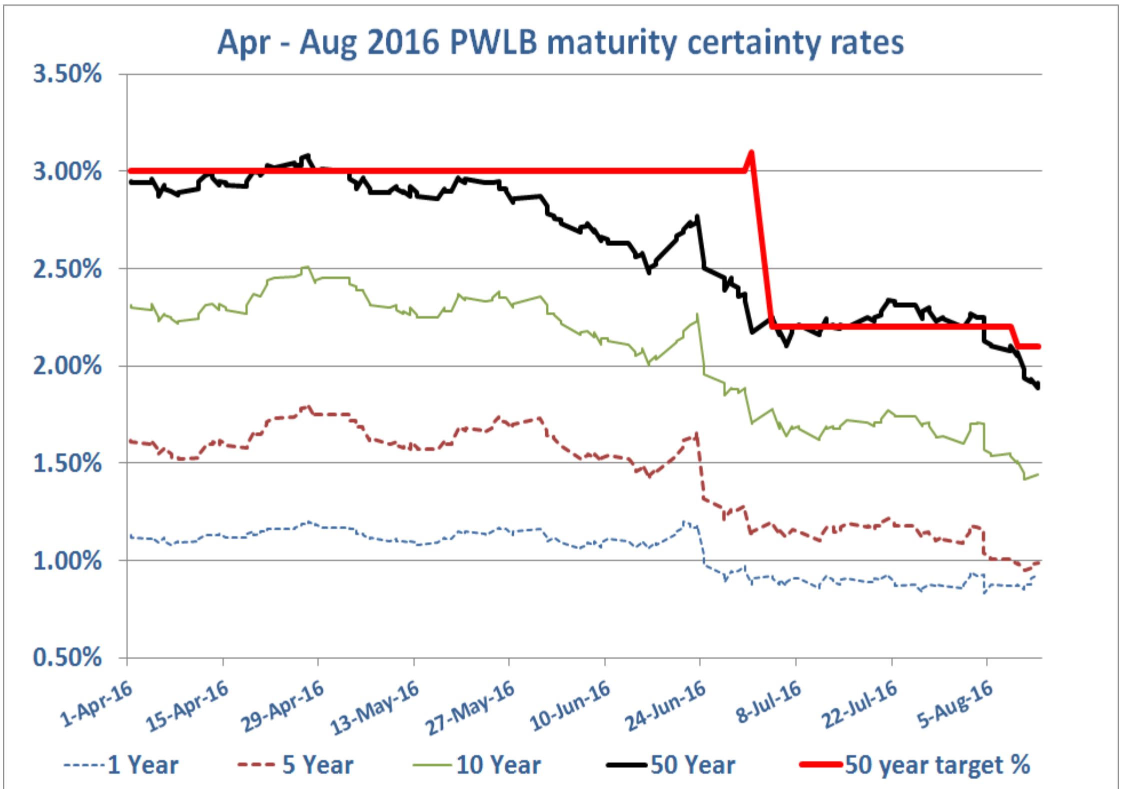
18. The Council’s treasury advisor, Capita Asset Services, has provided the following forecast (forecasts below are for PWLB certainty rates).

Interest rate Forecasts – September 2016 to June 2019

	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
Bank rate	0.25%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.25%	0.25%	0.25%	0.25%	0.50%
5yr PWLB rate	1.00%	1.00%	1.00%	1.10%	1.10%	1.10%	1.10%	1.20%	1.20%	1.20%	1.20%	1.30%
10yr PWLB rate	1.50%	1.50%	1.50%	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.70%	1.80%
25yr PWLB rate	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.40%	2.50%	2.50%	2.50%	2.50%	2.60%
50yr PWLB rate	2.10%	2.10%	2.10%	2.20%	2.20%	2.20%	2.20%	2.30%	2.30%	2.30%	2.30%	2.40%

PWLB certainty rates 1 April 2016 to mid-August 2016

	1 Year	5 Year	10 Year	25 Year	50 Year
1/4/16	1.13%	1.62%	2.31%	3.14%	2.95%
15/8/16	0.92%	0.98%	1.19%	1.34%	1.57%
Low	0.83%	0.95%	1.42%	2.08%	1.89%
Date	04/08/2016	10/08/2016	10/08/2016	12/08/2016	12/08/2016
High	1.20%	1.80%	2.51%	3.28%	3.08%
Date	27/04/2016	27/04/2016	27/04/2016	27/04/2016	27/04/2016
Average	1.04%	1.43%	2.05%	2.84%	2.61%



The Council's Treasury Position – 30 September 2016

Borrowing

19. The Council's debt and investment position at the 30 September 2016 was as follows:

Table 1 - Borrowing

Debt	1 April 2016 Principal	Rate	Maturity	30 September 2016 Principal	Rate
PWLB Loan 1	£7,500,000	4.80%	2033	£7,500,000	4.80%
PWLB Loan 2	£1,000,000	2.02%	2016	£1,000,000	2.02%
PWLB Loan 3	£1,000,000	1.63%	2018	£1,000,000	1.63%
PWLB Loan 4	£2,000,000	0.56% (Variable Rate)	2019	£2,000,000	0.40% (Variable Rate)
PWLB Loan 5	£909,027	3.78%	2044	£909,027	3.78%
PWLB Loan 6	£1,788,235	3.78%	2044	£1,788,235	3.78%
PWLB Loan 7 (Annuity)	£300,000	1.66%	2026	£286,149	1.66%
PWLB Loan 8			2056	£1,000,000	2.92%
PWLB Loan 9			2046	£1,000,000	3.08%
PWLB Loan 10			2036	£1,000,000	3.01%
PWLB Loan 11			2026	£1,000,000	2.30%
PWLB Loan 12			2054	£2,000,000	2.80%
PWLB Loan 13			2028	£1,000,000	2.42%
Total Debt	£14,497,262	3.55%		£21,483,411	3.28%

20. At the 30 September 2016 the Council had debt amounting to £21.5m (PWLB debt).

21. The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's debt position. The CFR results from the capital activity of the Council and what resources have been used to pay for the capital spend.

22. Part of the Council's treasury activities is to address the funding requirements for the Council's borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board [PWLB] or the money markets), or utilising temporary cash resources within the Council.

23. The Council's underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision – MRP, to reduce the CFR. This is

effectively a repayment of the borrowing need. This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

24. The total CFR can also be reduced by:

- the application of additional capital financing resources (such as unapplied capital receipts); or
- charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

25. The Council's 2016/17 MRP Policy was approved as part of the Treasury Management Strategy Report for 2016/17 by Council in February 2016.

26. The Council's CFR for the year is shown below, and represents a key prudential indicator. It includes leasing schemes on the balance sheet, which increase the Council's borrowing need. No borrowing is actually required against this scheme.

Table 2 CFR: General Fund	2015/16 Actual £000's	2016/17 Estimate £000's	2017/18 Estimate £000's
Opening balance	18,572	18,352	24,669
Add unfinanced capital expenditure	300	6,845	709
Less MRP	-511	-519	-893
Less finance lease arrangements	-9	-9	-9
Closing balance	18,352	24,669	24,476

27. Borrowing activity is constrained by prudential indicators for net borrowing and the CFR, and by the authorised limit.

28. The Council's long term borrowing must only be for a capital purpose. This essentially means that the Council is not borrowing to support revenue expenditure. Net borrowing should not therefore, except in the short term, have exceeded the CFR for 2016/17 plus the expected changes to the CFR over 2016/17 and 2017/18 from financing the capital programme. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs in 2016/17.

Table 3 Internal Borrowing	2015/16 Actual £000's	2016/17 Estimate £000's	2017/18 Estimate £000's
Capital Financing Requirement	18,352	24,669	24,476
External Borrowing	14,497	21,486	22,195
Net Internal Borrowing	**3,855**	**3,183**	**2,281**

29. The table above highlights the Council's gross borrowing position against the CFR, which provides an indication of affordability for the Council. The Council has complied with this prudential indicator.

Investments in 2016-17

30. The table below provides a snapshot of the investments and deposits held on 30 September 2016. The level of investments can fluctuate significantly on a day to day basis, given the level of funding received, precept payments, grants payable and receivable, salaries and wages, etc.

Table 4 – Investments and deposits

Counterparty	Rate/ Return (%)	Start Date	End Date	Principal £	Term
NATWEST	0.250	15/06/2011		68,370	Call
LLOYDS -LAMS	4.450	05/01/2012	10/01/2017	1,000,000	Fixed
LLOYDS - LAMS	1.970	26/03/2013	23/03/2018	1,000,000	Fixed
NATWEST BANK	0.350	21/08/2013		5,000,021	Call 95 day
LLOYDS BANK	1.050	11/05/2016	10/05/2017	5,000,000	Fixed
NATIONAL AUSTRALIA BANK	0.760	03/06/2016	05/06/2017	3,000,000	Fixed
NATIONAL AUSTRALIA BANK	0.580	03/06/2016	05/12/2016	2,000,000	Fixed
TORONTO	0.550	16/08/2016	16/05/2017	5,000,000	Fixed
SUMITOMO	0.390	08/09/2016	08/12/2016	3,000,000	Fixed
NORDEA	0.430	30/09/2016	30/06/2017	5,000,000	Fixed
BARCLAYS BANK	0.400	25/04/2012		2,000,090	Call
SANTANDER	0.740	01/04/2011		5	Call
SANTANDER	0.740	01/01/1900		415,534	Call
			Total	32,484,020	

31. As at 30 September 2016 four longer term loans are outstanding to other organisations.

Table 5 – Loans to Other Organisations

3rd Party Organisations	Rate/ Return (%)	Start Date	End Date	Principal £	Term
AMICUS	3.780	04/09/2014	02/09/2044	1,788,235	Fixed
The Foreshore Trust	1.660	21/03/2016	20/03/2026	286,149	Annuity
The Source	2.430	17/12/2015	16/12/2024	25,000	Annuity
The Foreshore Trust	1.820	21/03/2016	21/03/2026	127,000	Annuity
			Total	2,226,384	

32. Borrowing from the PWLB was taken to fund the Amicus Horizon loan (£1,788,235- Maturity loan) and one of the loans to the Foreshore Trust (£300,000 originally borrowed – Annuity loan); these correspond to PWLB loans 6 & 7 respectively in Table 1 above.

33. The interest receivable for 2016/17 on these loans amounts to £75,312, albeit the smaller Foreshore Trust loan (£127,000) will terminate on the completion of a land swap – subject to receiving Charity Commission approval.

34. The overall investment performance for the first 6 months of 2016/17 provided an average return of 0.80% (2015/16 0.88%) including the Local Authority Mortgage Scheme (LAMS) and 0.61% (2015/16 0.68%) excluding LAMS. These figures exclude the interest receivable in respect of loans to other organisations.

35. The total interest receivable for the first 6 months is £110,000 (2015/16 £93,000) including the Local Authority Mortgage Scheme and £78,000 (2015/16 £61,000) excluding LAMS.

36. These figures exclude the interest receivable in respect of loans to other organisations.

Borrowing Strategy

37. The Council purchased Aquila House for £4.4m (including stamp duty) at the start of this financial year. In addition there are two large schemes in the capital programme being the construction of a new industrial unit (BD Foods - £1,400,000) and a further grant to Amicus Horizon (Phase 2 of the Coastal Space project - £875,000).

38. Prior to the referendum vote in the summer interest rates look set to increase. The opportunity was taken to take new borrowing to finance Aquila House in particular and lock in the savings that were achieved by purchasing the property rather than renting it. In addition, given the low historical rates of interest, the level of internal borrowing was also reduced. In total some £7m of new borrowing from the PWLB has been taken to date this financial year.

39. The Council now has some £21.5m of PWLB debt, and could potentially borrow up to a level of £24.6m. This figure does not take account of any new capital spending in 2016/17 which could potentially be funded by new borrowing. It should be noted that a £1m PWLB loan is due to be repaid in December 2016. This loan was taken out to fund the first tranche of the Local Authority Mortgage scheme and is matched with a deposit of £1m with Lloyds Bank at an interest rate of 4.45% (which should be repaid to the Council in January 2017).

40. The interest rate forecasts from the Council's treasury advisers identify further reductions in base rates by December 2016. Whilst the borrowing rates are attractive on a historical basis the difference between the return on investment and the cost of borrowing remains – the additional revenue cost falling on the Council taxpayer. There is however still a case for taking new borrowing before rates increase again or restrictions are placed on the amount and levels of borrowing that authorities can undertake (particularly from the PWLB) and a balanced view will be taken. The plans for income generation, which would require substantial new borrowing by the Council in the future, play a part in the consideration as to when to borrow and the level of internal borrowing. Given the historically low interest rates and the ability of the Council to look at other investment opportunities which are providing higher returns than the cost of borrowing e.g. property funds, there is a much stronger case for reducing the level of internal funding now in order to ensure a lower level of borrowing risk in the future.

41. The Council also keeps under review the potential for making premature debt repayments in order to reduce borrowing costs as well as reducing counterparty risk by reducing investment balances. However, the cost of the early repayment premiums that would be incurred and the increase in risk exposure to significantly higher interest rates for new borrowing, continue to make this option unattractive. When last reviewed the early repayment cost of the £7.5m PWLB loan, maturing in 2033, would amount to some £3m. No debt rescheduling is being contemplated at present.

Investment Strategy

42. Priority is given to security and liquidity of investments in order to reduce counterparty risk to the maximum possible extent.

43. The Council has a limit of £5m with any one institution (rated A or above, supported by Government, and given a blue (12month) rating by Capita Asset Services). This generally represents a level of up to 15% of the investment portfolio with any one institution or group at any one time. It is also necessary, at times, to invest sums of this size in order to attract the larger institutions which have the higher credit ratings.

44. The Eurozone and Brexit have led to a number of downgrades to banks' credit ratings, making it increasingly difficult to spread investments across a number of institutions. The Chief Finance Officer has the authority to amend the limits if necessary to ensure that monies can be placed with appropriate institutions.

45. The net cost to the Council of borrowing, investment interest and fees will be reviewed as part of the budget setting process.

46. The net interest on the deposits in respect of the LAM scheme for the year will be transferred into the mortgage reserve in order to meet potential defaults (none at present). If at the end of the five year periods of the two schemes there are no defaults and arrears exceeding 3 months the Council will receive its deposit back in full and would then be able to consider the use of the reserve monies. Such considerations will be included in future budget reports.

47. It is recommended that the option for diversification of some of the investments into a property fund be explored, given the higher returns being achieved in some parts of the country. The investments would be in respect of the Council’s reserves that are not required for a period of at least 5 years in order that any fall in values and entry costs into such funds can be covered. Before any recommendations are put before Council, the Audit Committee and Cabinet will need to consider the risk implications. To this end the Council’s Treasury advisers will be asked to identify options for investments into property funds for consideration within the Treasury Management Strategy report that will be considered by the Audit Committee in January 2017 and subsequently by the Cabinet in February 2017.

48. The income generation proposals that the Council is looking at will require substantial investments to be made by the Council and will necessitate new borrowing. The levels of new borrowing that the Council can afford to take on board for new commercial property purchases and development, housing and energy schemes, etc, will be dependent upon the individual proposals and credit worthiness of the counterparties involved. Due to the timescales within which some property purchasing and disposal

decisions have to be made the Council's existing governance arrangements and delegated authorities may need to be reviewed.

49. The additional risks that the Council will consider taking on will need to be considered in the context of the totality of risk that the Council faces e.g. Pier claim, rates revaluation, robustness of income streams, economic downturns, etc. Where there is more risk and volatility in income streams the Council will need to ensure that it maintains sufficient reserves to ensure the Council's ability to deliver key services is not jeopardised.

Compliance with Treasury Limits

50. During the financial year to date there have again been a few occasions where it has not been possible to find institutions to take the Council's money given the strict criteria in place. In these circumstances the Council will place money in its existing call accounts and this can thus result in the investments exceeding general limits. Where such an occasion looks likely to arise the approval of Chief Finance officer is required in compliance with the Council's Treasury Management Practices. The Prudential Indicators have been complied with - reproduced in Appendix 1 for reference.

Financial Implications

51. The Council's 2016/17 budget estimated a 0.70% return on investments. Based on current market conditions this is difficult to achieve given the lower interest rates currently available. However savings from the reduction in new borrowing rates should help to ensure overall budget projections are achieved.

Risk Management

52. The Council spreads its risk on investments by limiting the amount of monies with any one institution or group and limiting the timeframe of the exposure. In determining the level of the investment and period the Council considers formal credit ratings (Fitch) along with its own advisers (Capita Asset Services) ratings advice.

53. The security of the principal sum remains of paramount importance to the Council.

Wards Affected

Ashdown, Baird, Braybrooke, Castle, Central St. Leonards, Conquest, Gensing, Hollington, Maze Hill, Old Hastings, Ore, Silverhill, St. Helens, Tressell, West St. Leonards, Wishing Tree

---

Area(s) Affected

Central Hastings, East Hastings, North St. Leonards, South St. Leonards

---

Policy Implications

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness	No
Crime and Fear of Crime (Section 17)	No
Risk Management	Yes
Environmental Issues	No
Economic/Financial Implications	Yes
Human Rights Act	No
Organisational Consequences	No
Local People's Views	No
Anti-Poverty	No

Appendices – Appendix 1: Prudential Indicators

Officer to Contact

pgrace@hastings.gov.uk
Chief Finance Officer
01424 451503

APPENDIX 1

PRUDENTIAL INDICATOR	2015/16	2016/17	2017/18	2018/19	2019/20
(2). TREASURY MANAGEMENT PRUDENTIAL INDICATORS	£'000	£'000	£'000	£'000	£'000
Authorised Limit for external debt -					
borrowing	£25,000	£30,000	£30,000	£30,000	£30,000
other long term liabilities	£10,000	£10,000	£10,000	£10,000	£10,000
TOTAL	£35,000	£40,000	£40,000	£40,000	£40,000
Operational Boundary for external debt -					
borrowing	£25,000	£30,000	£30,000	£30,000	£30,000
other long term liabilities	£10,000	£10,000	£10,000	£10,000	£10,000
TOTAL	£35,000	£40,000	£40,000	£40,000	£40,000
Upper limit for fixed interest rate exposure					
Net principal re fixed rate borrowing / investments OR:-	100%	100%	100%	100%	100%
Upper limit for variable rate exposure					
Net principal re variable rate borrowing / investments OR:-	100%	100%	100%	100%	100%
Upper limit for total principal sums invested for over 364 days – LAMS Scheme and Coastal Space	£6,000	£6,000	£6,000	£6,000	£6,000

Maturity structure of fixed rate borrowing during 2015/16	upper limit	lower limit
under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

This page is intentionally left blank

MUSEUMS COMMITTEE

12 SEPTEMBER 2016

Present: Councillors Poole (Chair), Dowling (Vice-Chair), Bacon, Howard, Sinden, Edwards, Patmore, Webb (as the duly appointed substitute for Councillor Street)

Museum Association Representatives: Mrs Barrett, Mr Dudman, Mrs Purdey, Mr Peak and Mr Palfrey-Martin

54. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Street.

55. DECLARATIONS OF INTEREST

Councillors made no declarations of interest at this meeting.

56. MINUTES OF THE MEETING HELD ON 27 JUNE 2016

RESOLVED – that the minutes of the meeting held on 27 June 2016 be approved and signed by the Chair as a true record subject to the deletion item 49, the paragraph referring to Mr Dudman's reference to Geoffrey Malins, Photographer, which was incorrect.

57. NOTIFICATION OF ADDITIONAL URGENT ITEMS

None.

58. CURATOR'S REPORT

Cathy Walling, Museum Curator, presented a report to provide an update on issues arising from previous meetings and confirmation of Curator's actions.

1. The museum was successful in an application to the Arts Council England Museum Resilience Fund and has been awarded £85,000 for a project 'Finding our Place 2', to be delivered between 1 October 2016 and 31 March 2018.

2. The post for the Learning Officer is being advertised and recruitment process to replace the Archivist has started. Catherine Harvey will continue as Keeper of Art and World Cultures with responsibility for the exhibition programme.

Steve Peak said the Museum Association were keen the Archivist post continues for two days a week. The Curator confirmed this was still the case and that the Keep will supply training if required.

3. Repair works to the stonework at John's Place have been scheduled. The programme of works will commence at the end of September and take 6 weeks. The

Contractors DCB have been appointed to undertake the work. Works will include repairs to the mortar and window and door surrounds on the south and west facing elevations. No weddings have been booked within this period.

> **RESOLVED - that the Committee accepts the report and are satisfied with the comments in the report.**

59. WORLD WAR I PROJECT UPDATE

Cathy Walling, Museum Curator, presented a report to update members on the progress of the Hastings Lottery Funded WWI Centenary Project 'Hastings Remembers: Local Stories of the First World War'.

The five year project is half way through. Events in 2016 have included the screening of the 'Battle of Somme'; an exhibition entitled 'Stage, Screen and Trench', and the Young Curators group have looked at conscription, recruitment and conscientious objectors. There has also been a presentation to the Family History Group.

The volunteers are continuing to research names on the war memorial; family stories and links with Hastings' twin towns. Staff continue to regularly post local WWI stories on Social Media.

A further update on the project will be provided at the Museum Association AGM in December.

The Curator advised that a request has been received to support a commemorative plaque for Claude Nunney, VC, who was born in Bexhill Road. In addition, Claude Nunney will be honoured with a commemorative Victoria Cross paving stone in September 2018 as part of a nationwide Government WWI initiative. Mr Silk, researcher, has asked the museum to hold a civic event to unveil a plaque in July 2017. Members discussed the cost and resources involved in supporting one or both events combined and agreed that Hastings VC holders should be honoured. The Curator will contact ESCC to confirm details of the scheme funding for the event in 2018.

Councillor Edwards expressed his concern that the numbering of the buildings in Bexhill Road had since changed. The Curator advised him that commemorative plaques were often not fixed to the original building.

Members expressed the importance of Blue Plaques in the town and raised their concern that the budget for this was no longer provided.

> **RESOLVED – that the Committee accepts the report and are satisfied with the comments in the report.**

60. MUSEUM ATTENDANCE FIGURES

Cathy Walling, Museum Curator, presented a report to inform members of figures for attendances, educational activities and use of the Museum's website for the first quarter of 2016-17. Figures for April to July 2015 were submitted for comparison.

It was noted that the attendance figures for Hastings Museum and Art Gallery had increased by 919 for Quarter 1 when compared with the previous year.

Numbers of pupils in organised groups had increased by 358.

Participants in non-education provider sessions reached 218.

At the time of the meeting, the number of followers on Facebook had increased to 1,081 and Twitter to 1,152.

The number of weddings and civil ceremonies had reached 7, the same as quarter 1 last year.

The website figures were no longer required as a performance indicator.

Councillor Edwards asked who decides the cost of the weddings and where the income goes. The Curator advised him that the fee of £500 was set annually by Council. This money goes back to the museum.

Mrs Barrett enquired about the progress of Weddings and Civil Ceremonies taking place at the Town Hall. The Curator said that two people had cancelled their booking at the museum and re-booked with the Town Hall. Members discussed the benefits of the museum as a wedding venue.

The Curator advised that the Wedding Fayre had been very successful with 600 people attending, including exhibitors.

> **RESOLVED - that the Committee accepts the report and are satisfied with the comments in the report.**

61. MUSEUM EVENTS AND ACTIVITIES

Cathy Walling, Museum Curator, presented a report to inform Members of forthcoming events and educational activities taking place at the Hastings Museum and Art Gallery during October to December 2016, for Quarter 2, 2016-17. These included:-

Exhibitions

17 September to 8 January: 'A Taste of Honeysett'. The cartoons of Martin Honeysett, part of Hastings & 1066 Country Cartoon Festival.

17 September to 8 January: 1066 -themed cartoons from Hastings & 1066 Country Cartoon Festival participants.

Continues: The Story of Hastings in 66 Objects'.

Continues: Changing contemporary exhibits in showcase 'What Hastings Means to Me'.

Events

12 October: University of Brighton Heritage Forum on theme of 1066

13 October: 'Sidney Little: Not just a Concrete King.' Talk by Andre Palfrey-Martin.

25 October: Family Activity Day

29 October: Sussex Record Society Book Launch

5 November: Hastings Remembers, Local Stories of WWI event with Young Curators

11. 18, 25 November: Local History talks with Edward Preston

20 November: Museum Association excursion to Turner, Margate.

17 and 24 November: Arts Connect Art Walks for adults with learning disabilities and access issues

26 November: Cartoon Christmas Card workshop, part of Cartoon Festival.

1, 8 & 15 December: Arts Connect Art Walks for adults with learning disabilities and access issues

2, 9 December: Local History talks with Edward Preston

4 December: Museum Association AGM

> **RESOLVED - that the Committee accepts the report and are satisfied with the comments in the report.**

62. MUSEUM ACQUISITIONS

Cathy Walling, Museum Curator, presented a report informing members of thirteen items acquired by the Museum in the last quarter and the names of donors. The items included: -

1. Painting of the Stade in 1949 by Sydney Maiden
Donor: Brassey Fund.
This item was purchased through the Brassey Fund.

2. Set of 9 miniature postcards of Hastings by Judges.
Donor: Bourne Hall Museum

3. Four copy photographs of Hollington; Copy of booklet on Royal Mail in WW2.
Donor: Mrs S. Novis

4. Documents relating to University School Hastings, including school reports for William Brown Tucker, 1894-5.
Donor: Mrs H. Self

5. Postcard of Hastings 1958
Donor: Mrs A. Mann

6. Card index of JM Baines research notes, folders of place name research, copy photographs used in 'Unseen Hastings and St Leonards'.
Donor: F. Crouch

7. Theatre programmes and tickets from White Rock Pavilion, St Mary-in-the-Castle from 1970s to 2003.
Donor: Mrs S. Hayward

8. Two wooden road surfacing blocks from King's Road; Brochure for Millars, Karri and Jorrah, manufacturers of blocks.
Donor: Mr J. Green

9. Photograph album of Ethel Tucknott, local WAAF and policewoman.
Donor: Mr R.J. Kind

10. Book of Centenary of Hastings & St Leonards Gas Company
Donor: Mrs L. Wilkins

11. WW2 newspapers, Spencer Tracey film poster
Donor: Mrs L. Allum

12. Teaspoon from Lyons Teashop, 15 Wellington Place, Hastings
Donor: Mr D. Dine

Councillor Sinden asked if there were any proposals for the hoard of coins. The Curator advised him that the coins had been put on display between a year and 18 months ago and were now in storage.

Mrs Barrett referred to the acquisition of two wooden road surfacing blocks and queried the condition of one in the High Street Councillor Poole said they would make enquiries to find out who the owner was and if it could be repaired.

Mr Palfrey-Martin commented on the interesting bygone photos of Battle Road donated by Mrs Novis and he encouraged everyone to donate similar photos.

In response to a question, the Curator said they had six boxes of documents celebrating 1966, containing council documents, meeting documents and minted medallions.

> **<u>RESOLVED</u> - that the Committee accepts the report and are satisfied with the comments in the report.**

63. ADDITIONAL URGENT ITEMS (IF ANY)

None.

(The Chair declared the meeting closed at. 3.24 pm)