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Budget Cabinet Agenda

Monday, 12 February 2018 at 6.00 pm

Muriel Matters House, Breeds Place, Hastings, East Sussex, TN34 3UY

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Agenda Item 4

Report to: **Budget Cabinet**

Date of Meeting: **12 January 2018**

Report Title: **Draft Corporate Plan 2018/19 – 2020/21**

Report By: **Jane Hartnell, Director of Corporate Services and Governance and Simon Hubbard, Director of Operational Services**

Purpose of Report

To present the draft corporate plan 2018/19 – 2020/21, together with feedback from the public consultation.

Recommendation(s)

1. **That the Cabinet recommends to the Full Council, that the content of the attached documents form the basis of the council's corporate plan 2018/19-2020/21, subject to the proviso that any significant amendment made to the council's draft budget be reflected in the final corporate plan text**
2. **That delegated authority be given to the Director of Corporate Services and Governance, after consultation with the Leader of the Council to make further revisions as is considered necessary to the attached plan prior to publication to reflect decisions made on the council's budget**
3. **That all those who submitted views as part of the consultation process be thanked for their contributions**

Reasons for Recommendations

The council needs to approve the corporate plan as its statement of Hastings Borough Council's strategic direction to 2021.

Introduction

1. The corporate plan sets out the council's strategic direction. The draft corporate plan is based around 3 key opportunities; inclusion, growth and futureproofing. Teams across the council have been reviewing progress against the targets in the current corporate plan to identify key projects and activities for inclusion in the plan for 2018/19.

2. The plan includes an infographic of key statistics for each of the opportunities followed by a summary of key projects and activities which will be taking place over 2018/19.

3. The new format of the plan reflects that much of the council's work involves teams from across the organisation working together and provides greater flexibility when reporting performance monitoring information each quarter.

4. A list of performance indicators from the 2017/18 plan have been included at the end of the draft document. The performance indicators will be agreed in July 2018.

Consultation

5. Comments on the council's draft corporate plan have been sought from residents, council staff and a range of community organisations.

6. The consultation closes at 5.00pm on 9 February. A summary of the responses received so far can be found below. Any further comments received after this report has been published will be submitted to Cabinet separately, after the consultation has closed.

Hastings Area Chamber of Commerce

7. Councillor Chowney attended the chamber meeting on 25 January. The following questions were asked:

   Question: Could HBC capitalise on renewable energy potential in terms of waste disposal?

   Response: Hastings is the waste collection and East Sussex County Council is the disposal authority. All waste from across the County goes to Newhaven. If HBC were to go it alone, it would not benefit from the associated economies of scale of existing arrangements.

   Question: Given the Council appetite for 'insourcing' and 'renewables' will the possibility of a wind turbine on Queensway be revisited?

   Response: Doing so in line with existing Government regulations would involve revisiting and reviewing the Local Plan which could take up to two years. Parallel work is currently underway in terms of scoping potential for vertical axis wind turbines along the seafront and exploring the feasibility of creating a local supply network and plugging into the national Grid. Given the flat long nature of our seafront these could be ideal but it is also recognised that these are controversial.

Question: Is the request to pick up pink sacks from Muriel Matters House a temporary measure?

Response: Existing contractual arrangements do not commit the provider to make regular doorstep deliveries of pink sacks. There has also been a problem with people ordering more sacks than required and these not being necessarily used for recycling purposes. Picking up additional pink sacks from Muriel Matters House assists the council monitor additional demand for these. It is also acknowledged that picking up additional sacks maybe challenging for some residents and may inhibit recycling so we are carefully considering this as part of new contractual arrangements.

Question: Given the challenges in relation to homelessness, how is the council collaborating with existing structures and providers in terms of homelessness prevention?

Response: The council collaborates directly with (e.g. Brighton Housing Trust, Clinical Commissioning Group) and funds (e.g. Seaview through the Community Partnership Fund) a range of partners to work to prevent homelessness. Incidences of homelessness can be reported on the Council website so that where possible help is given. It is acknowledged that there is a cross section of services from the statutory to the voluntary sector working hard locally to address homelessness and it can be a challenge to coordinate these. For example, provision of sleeping bags and tents maybe at odds with other work focused on helping people off the streets and into accommodation. A coordinated response is crucial and the Council will continue to collaborate with partners to provide an integrated package of support.

Question: Does the Council have plans for Priory Street car park particularly in relation to drug use and associated paraphernalia in the stairwells?

Response: The council can clean this up or potentially revisit the car park opening times and, as suggested, consider using a gate as a proposed solution. However these may simply move suggested drug use elsewhere rather than addressing this challenge head on.

Question: Does the council use a lot of national contracts/contractors and if so is there any room for local smaller suppliers?

Response: The council has lots of discussions about this and is keen to go local rather than national where possible, but this is challenging for areas like refuse collection given the associated economies of scale. Recently the council facilitated a consortium of straw bailers in line with plans at the Country Park. The council will apply the learning from this to see how it can better work with smaller (sometimes individually led) businesses and enterprises that can often find our procurement arrangements through the East Sussex Procurement Hub challenging.

Hastings Community Network

8. Councillor Chowney attended a meeting of the Hastings Community Network on 25 January. The following questions were asked:

Question: can you confirm how much allotment rents will increase over the next year?

Response: The council has to consider increasing the fees and charges across many of its services in order to raise the additional income it needs. Given the significant reductions to its funding, the council needs to set its priorities carefully. There is an aim to make discretionary services self-financing, where possible. In some cases, allotment associations have been formed to manage some sites. Councillor Chowney agreed to provide a written response setting out the proposed increase to allotment rents in this year's budget.

Question: what view is the council taking in respect of future uses for the buildings previously occupied by the University of Brighton and how will the public money invested in these schemes be protected?

Response: it was noted that there had been strong community opposition to the closure of the University of Brighton's campus in Hastings. The university has indicated that it intends to sell the buildings it owns in the town. The buildings are allocated for educational purposes in the local plan, so any potential change of use in the future will require planning permission. Sussex Coast College had considered taking over the properties as part of its development of its University Centre, but this was not viable. The council was continuing to have discussions with higher education providers about the potential for them to locate new services in Hastings.

Question: have the harbour developers secured a grant from the government to carry out a feasibility study for the proposal?

Response: No, the harbour developers are still negotiating with the government to secure a grant, which will enable them to commission a feasibility study. The council is not committing any funding or officer time to the project at this time.

Question: investment in commercial property provides a large source of income to the council, but the purchase costs are often high. What are the constraints on the council's investment in commercial property and has the council considered building its own properties?

Response: The council has earmarked funding in its budget to invest in commercial property. The council can borrow money comparatively cheaply, which has enabled this investment. Investment in commercial property is widely used by council's to generate additional income and the government has not currently applied any restrictions to this activity. The council manages the risks of its investment in commercial property carefully. Consideration has been given to developing new commercial property units. However, construction costs are currently high, compared to commercial rents.

Question: Is there an update on the pier? Is the council supportive of the owner of Eastbourne pier taking over Hastings Pier?

Response: it is understood that a deal between Hastings and Eastbourne piers is not likely to proceed. However, interest has been received from the owner of Brighton pier. Whilst the council is not directly involved in this process, as the local planning authority it will work with the new owner to assist them operate the pier on a more sustainable basis. This could include developing a new planning policy for the pier, in consultation with Historic England.

Question: what is the funding set aside in the budget for Compulsory Purchase Orders (CPO) for? Why has the council set up a new housing company?

Response: it is unusual for CPO action to be completed against long term empty properties. Often, the threat of CPO action is sufficient for the owner to bring their property back into use. The funding allocated in the budget is to cover the legal costs associated with the process.

The council has set up a housing company to invest in residential property. This approach will generate additional income for the council and increase the supply of good quality rental accommodation in the town. Properties owned by the housing company are exempt from the right to buy. The Directors of the housing company are council officers, a manager will be appointed to find properties for the company to purchase.

Question: how has the projected income from energy generation in the budget been calculated?

Response: the projections in the budget are based on income from the installations of solar panels on council owned and occupied buildings. The council will also work with the tenants of the buildings it rents out, if there is potential to install solar panels on these units too. The council is also investigating opportunities for wind energy generation.

Question: the council has been successful in bidding for funding from the European Union (EU) in the past. Has the government indicated whether these grants will be replaced, once the United Kingdom leaves the EU?

Response: Hastings has secured approximately £15 million worth of EU funding over the past 10 years. As some parts of the town have high levels of deprivation, we are eligible to bid for a variety of different EU finding streams supporting a wide range of activities. The government has not indicated that these funding streams will be replaced.

Question: will the council commit more officer time to lobbying East Sussex County Council (ESCC) and other agencies to bring forward a new walking and cycling network in Hastings and Bexhill?

Response: the council supports sustainable transport initiatives, but has limited capacity to commit additional officer time. The walking and cycling network is primarily the responsibility of ESCC, which has secured funding from the Local Enterprise Partnership (LEP) to support the project. The council continues to participate in the Hastings and Rother Transport Action Group.

Question: is there an update on SeaChange?

Response: SeaChange continues to work on a number of projects in the Bexhill area. SeaChange originally focused their activities on the regeneration of the town centre, in particular the development of office spaces in Havelock Road. Although demand for large office space is currently low, there is higher demand for small start-up units. The next phase of the programme included the redevelopment of Queensbury House, but it will be necessary to develop new plans for the use of the site before this can proceed.

Question: Is there an update on the country park, particularly the development of a new visitor centre, plans to re-open the public footpaths and the provision of ranger services?

Response: the country park was recently awarded an innovation award by the Green Flag. Due to the unstable make-up of the layers of clay, it has not possible to re-open the footpath. Consideration has been given to a number of options to address this, but a solution has not yet been found which would be affordable and in-keeping with the sensitive nature of the site. The council does try to protect services within the country park, but this can be challenging with the reductions in it funding.

The unusual straw-bale construction of the proposed new visitor centre at the country park has created challenges with the procurement process. A consortium of artisan builders, who specialise in straw-bale buildings has been formed, to advise on the project. Funding has been set aside in the council's capital programme to support the project.

Question: why does there appear there appear to be a cut in the country park revenue budget from last year to this year?

Response: Councillor Chowney agreed to provide a written response to this question.

Question: will the existing licensing scheme for landlords of Houses in Multiple Occupation (HMO's) be extended to smaller private landlords in the future?

Response: the council has a range of initiatives in place to improve the quality of homes in the private rented sector, including both the HMO and selective licensing scheme. The HMO licensing scheme has been reviewed and will be relaunched in May. There may be opportunities to extend the scheme to other parts of the town in the future. Both schemes have been effective at improving the management and quality of homes in the private rented sector.

Question: there has been a significant increase in homelessness in the town. Are all the rough sleepers in the town from the local area; if not is there a way of gaining additional support from other local authorities? Why were the public conveniences in the town closed on Christmas Day?

Response: rough sleeping forms part of the homelessness issues in the town. Traditionally, many seaside towns have faced challenges with homelessness. There are around 36 – 40 people in the town who regularly sleep rough, although not all of them are from Hastings originally. It is not possible for local authorities to claim assistance from each other. There is a very active voluntary and charity sector in the town which provide homelessness support services, and the council is looking at new ways of preventing homelessness. Councillor Chowney agreed to follow up the point regarding the opening arrangements for public conveniences.

Question: what is the former bathing pool used for?

Response: This space has been converted into the Source skate park.

Budget Overview and Scrutiny Committee

9. A meeting of the council's overview and scrutiny committee was held on 25 January, to consider the draft corporate plan and budget.

10. While no amendments to the draft corporate plan and budget were proposed, a number of related issues were discussed and will be included in the minutes. The minutes of the meeting will be published on the council's website shortly.

Email

11. An email has been received requesting more information about the council's investment in commercial property.

12. An email has been received from Hastings and St Leonards Allotment Federation opposing the increases to allotment rents proposed in the budget.

13. An email has been received from the Hastings Association of Twin Towns opposing the reductions to the budget for twinning partnerships.

Equalities

14. The assessment of equality impacts accompanying the budget proposals for 2018/19 is included within the budget report

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Wards Affected

All wards

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)	Yes
Risk Management	Yes
Environmental Issues	Yes
Economic/Financial Implications	Yes
Human Rights Act	Yes
Organisational Consequences	Yes
Local People's Views	Yes
Anti-Poverty	Yes

Additional Information

Appendix A – Draft Corporate Plan 2018/19 – 2020/21

Officer to Contact

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Corporate Plan
2018/19

hastings.gov.uk

Hastings Borough Council

Executive Summary

Introduction by Councillor Kim Forward, Deputy Leader of the Council

The corporate plan is an important document in helping local people understand the council's vision and priorities for Hastings and St Leonards.

We've refreshed the layout of the plan to show the key activities we will be working on over the next year or so, the challenges we might face, and how we plan to overcome them. We've also set out the measures we will be using to check progress on these key pieces of work.

About the Corporate Plan

The council publishes a corporate plan each year. It tells residents, businesses and our staff about the progress we have made to pursue key opportunities and some of the key projects and activities we will be working on to continue to improve the town.

Our vision for Hastings…

Hastings will be recognised as an international centre of excellence for cultural and scientific creativity, supported by the highest quality educational establishments to provide first-class career opportunities to its citizens. Rewarding jobs with a decent wage, good standards of healthcare and warm, comfortable, affordable homes will be available to all. It will be a town that welcomes visitors and new residents wherever they are from, where diversity, individuality and eccentricity are celebrated, and the individual needs of all are recognised and met. The best of our historic built and natural environment will be preserved, while embracing new developments that excite and enrich our town's appearance. It will be a 'green' town, where industries, structures and practices that help to reduce our carbon footprint are strongly promoted, creating the best possible quality of life for all our workers and citizens, who are enabled and encouraged to accept opportunity as their birth-right. Hastings will be famous not just for its history, but for its vision and achievements, a place to be admired throughout the world, to which every visitor would seek to return.

Our Mission – Making the Difference

Hastings Borough Council is committed to improving the quality of life and well-being of all of its residents. We recognise our duty to be responsive to the needs of all who live and work in our borough and to do so in a way which respects cultural identity, providing equality of opportunity and equality of access to the means to live a healthy, fulfilling life. We will work in partnership with other bodies, whether statutory, public, private, voluntary or community to achieve this, whilst promoting our borough in an active and positive manner.

Our Values

- We believe that equality of opportunity is paramount, and that services to local people should be provided in a way that addresses their needs and reasonable expectations, regardless of their gender, social class, race, religion, disability, age, culture, sexuality or philosophical beliefs, in as far as such beliefs do not oppress others.
- We believe that the council should uphold a culture of co-operation, openness, fairness and transparency in all it does, enabling local people to hold us to account and other agencies to work with us.
- We believe that all local people (including employees of the council) should be entitled to a high standard of education and decent jobs that pay a living wage, where they are treated with dignity, respect and fairness.
- We believe that all local people have a right to a safe, secure, affordable home in an environment that enhances their health, quality of life and access to lifelong learning.
- We believe that the economic regeneration of Hastings should narrow the gap between the most deprived communities and those of the rest of the town, as well as between Hastings and the rest of the South East, and that poorer people should not be excluded from the new opportunities that arise.

About the Corporate Plan

Our Priorities

- Economic and physical regeneration
- Cultural regeneration
- Intervention where it's needed
- Creating decent homes
- An attractive town
- A greener town
- Transforming the way we work

HOW WE COMPARE:

* From 2017/18

Time taken to process housing benefit new claims in Hastings (days)

Hastings	Nearest neighbour average
16	22

Time taken to process housing benefit change events in Hastings (days)

Hastings	Nearest neighbour average
6	7

Numbers accepted as being homeless and in priority need - Total (Annual)

* From 2016/17

Hastings	Nearest neighbour average
230	103

FACT AND FIGURES

active hastings

1,999
people attended AH sessions in 2017

43%
of these people live in deprived areas of the town

Secondary school results in Hastings 2017

50%
of pupils achieved A*-C / 9 - 4 in English and Maths

compared to East Sussex of **61.2%**

14.5%
of residents lived in social housing*

28.8%
in private rented sector*

55.2%
in owner-occupied accommodation*

* From 2011 census

Inclusion

Homelessness in Hastings has continued to rise over the past year, as it has across the country. The reasons for this are increasing numbers of people needing to access homelessness services and a lack of availability of accommodation in both the social and private rented sector. This means that the council is relying on temporary accommodation more and more.

New laws will be introduced in April 2018 which give the council extra responsibilities to prevent homelessness. The government has also changed the way it funds this work by introducing a flexible homelessness support grant. The council needs to balance providing effective mainstream homelessness prevention services, as well as looking at new ways of engaging with hard to reach groups.

We also need to look at how we use **temporary accommodation**. This may include purchasing our own properties to give us more control over how this accommodation is managed, as well as working with housing associations to provide short term accommodation for families. Other towns have also developed temporary housing solutions using vacant parcels of land, and we'll find out if this approach could work in Hastings.

Lots of people in Hastings live in **private rented accommodation**. Because house prices in Hastings have increased over recent years, many people rent for longer before buying their own home. It's important that we make sure that accommodation in the private sector is good quality and managed by responsible landlords. A new licensing scheme for houses in multiple occupation (HMOs) will be introduced in May 2018. The scheme covers four wards in the town, all of which have a large number of HMOs, and sets out standards for accommodation and how it is managed. We're also developing a new social lettings agency, which will provide a similar range of services to a high street estate agent.

Many residents from the most deprived parts of the town live in **social housing**. We're working with the largest social housing provider to improve the standards of street cleansing on their estates, after residents reported problems with fly-tipping and litter.

Our wardens issue fixed penalty notices (FPNs) for **litter and anti-social behaviour**, and we've introduced Public Space Protection Orders (PSPOs) in some parts of the town. The enforcement of PSPOs is coupled with a package of support for alcohol abuse, when needed. It is intended to work with partners to develop a similar approach for drug abuse issues. The **Hastings Street Community Partnership**, which is made up of county council, local council, health and voluntary sector representatives, has been reviewing the services provided to the street community to find any gaps in support.

We know that **improving health** is key to tackling deprivation. That's why the Healthy Hastings and Rother Programme, a partnership initiative between the council and the local Clinical Commissioning Group (CCG), includes a co-investment programme in Ore, Hollington and Sidley. All of these areas have high numbers of people living in social housing.

The **Community Alcohol Partnership** (CAP), which is based in the Ore Valley, has been working to reduce problem drinking amongst young people. Active Hastings has launched the StreetBites project this year, also based in the Ore Valley, which provides nutritional meals during the school holidays, to children who receive free school meals during term time.

Universal credit went live in Hastings in September 2017. Like many other authorities, we have noticed that it is taking us longer to process new benefit applications and change of circumstances. People need to contact the council

Inclusion

Continued

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more often to let us know about changes in their circumstances, which might affect the amount of **council tax support** they receive. We want to simplify this process in the future and will be reviewing our council tax support scheme.

You can only access universal credit online, so we've been working with Citizens Advice to develop a training package to help people improve their computer skills. The training ranges from refresher sessions to 1-2-1 support. Not only does this help people with their universal credit applications, but the computer skills they learn will enable them to access many other services online. Staff in the community contact centre have been training with local advice agencies, to enable them to understand the welfare changes in more detail and help us sign post people to other agencies when we need to.

We've also been looking at new ways of supporting residents who have been affected by the **changes to the welfare system**. We used some of our funding from the Department for Work and Pensions (DWP) to appoint an officer to visit families affected by the new benefits cap, to help them reduce their spending and find other sources of support. This approach has worked well and the officer has been able to build up a trusted relationship with the families they support.

We're also sending fewer unpaid council tax bills to the bailiffs for recovery, instead the team are working proactively with households that may be at risk of falling behind with their payments.

A good education improves **social mobility**. Hastings is an education opportunity area. A board has been formed to develop projects to improve education in the town, using a fund set up by the government and by exploring other grant opportunities. The board is made up of representatives of the council, county council, local schools and colleges and the voluntary sector. A university centre recently opened at Sussex Coast College Hastings, the council has been looking at new options to maintain higher education provision in the town.

The council has also successfully applied for **community-led local development (CLLD)** funding. This will enable us to work alongside local people in some of the most deprived parts of our town to design and deliver projects to support social mobility.

What to look out for next year?

- Projects which focus on social inclusion, such as CLLD, Fisheries Local Action Group (FLAG) and Opportunity Area
- Implementing the Homelessness Reduction Act, which comes into force in April 2018
- New temporary housing initiatives
- Reviewing the housing offer for people with disabilities
- Developing a social lettings agency
- Working with the Hastings Street Community Partnership
- Working with the CCG on a health and wellbeing programme

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HOW WE COMPARE TO OTHERS:

Job density (of total jobs to population aged 16-64)

* From 2015

Hastings	Nearest neighbour average
0.65	0.76

Working age people on out of work benefits

* From Oct - Dec 2016

Hastings	Nearest neighbour average
14.3%	10.0%

Median gross weekly pay of employees by residence

* From 2017

Hastings	Nearest neighbour average
£465.0	£503.1

Volume and value of tourism

* From 2014-2016

Total visits (day and overnight - millions)

Hastings	Nearest neighbour average
2.82	2.93

Expenditure (day and overnight - millions)

Hastings	Nearest neighbour average
£126.7	£111.7

FACT AND FIGURES

HASTINGS MUSEUM & ART GALLERY
LOCAL MUSEUM GLOBAL COLLECTION

The most popular exhibition this year

'A Sussex Wave from Japan: the colour woodcuts of Eric Slater and Arthur Rigden Read'

Ran from 27 May to 3 September.

Total visitors: **15,266**

Busiest day: **1,200** approx. visitors

125th birthday party / 16th Aug

Number of visitors to the 3 Fish Festivals in 2017

Mid-summer Fish Festival

5,000 approx. visitors

Seafood & Wine Festival

20,000 approx. visitors

Herring Fair

8,000 approx. visitors

stade saturdays

13 events programmed

11,000 attended

50 artists involved

Value of funding from external grants in 2017

£2,184,885 external funding approved between Jan and Dec

THIS INCLUDED

£812,770 worth of funding from the Coastal Communities Fund for Destination White Rock.

Growth

Hastings is full of potential.

Over the past year we have been working with local business and community groups to develop a master plan for the **White Rock area**. We know that this part of the town offers opportunities to develop new leisure facilities. The plan has now been published on the council's website and will form part of more detailed public consultations in the future. We will be keeping the new leisure facilities contracts flexible, so these sites can be included in bigger plans for the area if needed.

The council's planning policy will need to be reviewed to deliver the aims of the master plan. This means developing an area action plan specifically for White Rock. This will take time (around 3 years), but we've already started work on two key documents which will underpin the process. There'll be an opportunity for people to have their say during the process through public consultations. We'll also be working with the county council on traffic calming measures for the seafront.

We're working with developers on a number of exciting proposals. This includes continuing to support the development of a **new sports village**. Not only does this offer the opportunity to improve the sports and leisure facilities in the town, but there is also the possibility of developing new housing on the former sites. We invited expressions of interest in a potential development on the former bathing pool site at **West Marina**. A number of exciting proposals were received, and these will now be invited to progress to a full bid stage. The council will also work with developers to see if plans for a marina in the old town are viable.

It's important that we ensure there are **attractions throughout the town**. The Heritage Angel award-winning Source Skate Park and Stirling prize-winning pier are helping to draw visitors along the seafront. There was a popular installation in Bottle Alley as part of this year's Coastal Currents festival, called wave length. Since then, a new lighting system has been installed. A kiosk has also been opened on the upper promenade. Further improvements will follow this year, including restoring the disused fountain near the entrance to the pier using a grant from the Coastal Communities Fund.

We've also been carrying out a review of the **music and performance venues** in the town. Hastings is home to many talented musicians and it's important that we have the right mix of venues for the local scene. The contract with the current operator of the White Rock Theatre will be coming to an end soon, and we're considering what the future options for this facility together with the findings of the review. The Cultural Leaders Group, which was originally formed to oversee the Root1066 festival, also adopted an action plan which focuses on the creation of a music city.

Hastings Museum and Art Gallery celebrated its 125th anniversary in July 2017. Museums around the country are facing challenges with their funding, with many reducing their opening hours or closing completely. Here in Hastings, the team have been carrying out a resilience study, to look at new ways of making the museum more sustainable and ensuring it's treasures remain available for the people of Hastings, and visitors to our town, to enjoy into the future.

Hastings is famous for the **wide variety of events** we host. Many of these events are organised by local voluntary groups. This has continued in 2017, with the St Leonards Festival, Seafood and Wine Festival and Hastings Bonfire. The Stade Saturday's programme also ran throughout the summer, bringing world class street and circus performers to the town. We commissioned local company, Sweet and Dandy, to organise this year's Coastal Currents festival. Working in partnership with local groups is one of the key ways we can continue to support the exciting events Hastings is famous for. Many of events in the town are also supported by funding from the Arts Council England. It's important that the council continues to develop links to the Arts Council and other partners to develop our cultural offer further. We've also had to look at new ways of making the events we organise directly more sustainable, and in some cases this means introducing an entry charge.

The **job density** (the number of jobs in the area, divided by the working age population) is low in Hastings. We're continuing to look for new ways to attract employers to area. We've developed new employment space in the town, both on our own land and by working with SeaChange Sussex. We're also part of Locate East Sussex, a county-wide project which supports business expand and develop, and encourages new companies to relocate to the area.

What to look out for next year?

- Working with developers to look at options for key sites including West Marina, the Harbour and Sports Village
- Support the development of a high speed rail link between Hastings and London
- Look at opportunities to develop new employment space both on our own land, and with partners
- Develop an area action plan for White Rock
- Explore options for improving key visitor attractions including Hastings Castle, White Rock Theatre and the seafront
- Continue to build up our cultural offer, including the Hastings and Rother Music City brand

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HOW WE COMPARE TO OTHERS:

Council tax collected as a percentage of council tax due

* From 2016/17

Hastings
96.25%

Nearest neighbours average
96.64%

FACT AND FIGURES

PEOPLE SELF-SERVING VIA MY HASTINGS

MYHASTINGS

40% June 2015 to May 2016

51% June 2016 to May 2017

4 ongoing apprentices

SOCITM Test Result (independent test for public sector websites)

2015	2015/16	2016/17
1 of 4 stars	2 of 4 stars	3 of 4 stars

THE NUMBER OF PEOPLE USING OUR WEBSITE IS GROWING EVERY YEAR

June 2016 to May 2017

Pageviews	2,468,884
Visits	820,201

June 2015 to May 2016

Pageviews	1,801,369
Visits	731,602

Days lost due to sickness absence

31/03/2015	31/03/2016	31/03/2017
6.4	7.7	7.6

(Average over past 10 years 7.7 days)

Futureproof

There are some big challenges coming up for the council. We need to continue to deliver the core services local people expect and prioritise our work to improve the town. To support this work, we'll need to generate more income and continue to look for cost savings. The council has a role, not only in delivering services, but also supporting a collaborative approach between local people and a range of public, private and voluntary organisations.

We've also been looking at how we deliver services. People now expect to be able to carry out day to day transactions online, at a time which is convenient for them.

We launched **My Hastings** our online platform for residents just over a year ago. Teams across the organisation are continuing to make more services available online. In January 2018, we launched a new Report It package, which makes it easier and faster for people to let us know about problems. There was also a town-wide marketing campaign to encourage people to use My Hastings as its available 24/7 and often gets issues dealt with more quickly. Enabling people to carry out simple transactions online means our staff will have more time to deal with complex enquiries on the phone or in person at the Community Contact Centre.

We are continuing to review every aspect of what we do to ensure our services are designed and delivered with customers in mind i.e. 'Customer First' and that we are efficient and offer value for money.

We also need to consider what the best model for delivering our broad range of services into the future is. In some cases this may involve bringing services back in-house - we are looking at this for our street cleaning service as local people have told us the service we get from our contractor is not good enough. There are also opportunities for us to work in partnership with other authorities. Recent examples of this include implementing a new finance and HR system, in partnership with Rother District Council. Over the next year, we'll be continuing to work with other authorities in East Sussex to jointly procure a new waste and recycling service to operate from June 2019.

We also need to look at new ways of delivering services that we may not be able to afford to do in the future – we need to work with organisations that may be able to access funding not available to councils or look at other innovations to protect the services that local people want.

The council needs to generate extra income to make up for the reductions in funding it receives from government. In October 2017, we approved our income generation strategy. The strategy sets out the three main ways the council will generate extra income; investment in commercial and residential property and energy generation. We'll be continuing to maximise opportunities within each of these themes throughout the year ahead.

Over the past year, the council has acquired a retail park in the town which is already generating significant income. A housing company was also formed and has begun acquiring its first properties, which will then be made available for rent. Not only does this generate extra income for the council but in many cases it also supports our plans for the regeneration of the town.

We're always looking for new ways of making Hastings friendly greener town. Earlier this year, we commissioned research into how we can make our own offices and industrial units more energy efficient. We have been putting these recommendations in place over the past few months. The research also identified a number of longer term opportunities for the council to **generate and supply renewable energy**. Not only could this provide us with additional income, but it will also deliver economic, social and environmental benefits to the people of the borough. This will be a significant project and will involve many parts of the council and lots of resources to deliver – we'll be developing an energy strategy for the borough in spring 2018.

We're continuing to invest in and develop our staff with technical, project management, professional and managerial skills, to make sure we have the right mix of people for the future. The council also belongs to a national apprenticeship scheme, which enables us to provide a wide range of training opportunities. We work hard to support staff with welfare issues and our HR team are trained as mental health first aiders. We've undertaken an internal review of how we communicate with staff and are introducing new approaches over the next year.

What to look out for next year?

- Develop a new council tax support scheme
- Delivering on the 3 key themes in our income generation strategy
- More services available online via My Hastings – including benefits and council tax
- Continuing to work in partnership with other local authorities, including procuring the new waste collection contract
- Development of our renewable energy plans for the town
- New internal staff intranet and communications tools to better involve staff in planning and delivering the council's priorities

How will we know if it's working?

We'll continue to use key performance indicators to measure progress against our targets throughout the year. The performance indicators we use will be agreed by Cabinet in July 2018.

Inclusion

- Improve street and environmental cleanliness
- Percentage of household waste sent for reuse, recycling and composting
- Percentage of food establishments which are broadly compliant with food hygiene law
- The average number of failed bin collections (per 100,000 collections)
- Increased number of people using council leisure centres
- Number of homelessness cases prevented (bigger is better)
- % of homeless applications resulting in a placement in emergency accommodation (smaller is better)
- Private sector homes meeting the required standard
- Number of affordable homes created
- Average number of days to process new housing benefit claims (smaller is better)
- Average number of days to process changes to housing benefit claims (smaller is better)
- Average number of days to process new Council Tax Reduction claims
- Average number of days to process changes to Council Tax Reduction claims

Growth

- Green Flag status retained for parks and open spaces
- Increased number of visitors to Hastings Museum and Art Gallery
- Major planning applications determined within 13 weeks or as agreed with applicants
- Non-major planning applications determined within 8 weeks or as agreed with the applicant
- Householder planning applications determined within 8 weeks or as agreed with the applicant
- Major planning applications determined within 13 weeks or as agreed with the applicant between October 2017 and September 2019
- Non major planning applications determined within 8 weeks or as agreed with the applicant between October 2017 and September 2019
- Number of long term (2+ years) empty properties bought back into use (bigger is better)
- Number of neglected buildings improved (bigger is better)
- Number of new homes built

Futureproof

- % of customers self-serving online
- The proportion of working days / shifts lost due to sickness absence
- Income Generation
- % Council Tax collected in year (bigger is better)
- % Non domestic rates collected in year (bigger is better)

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Hastings Borough Council

Agenda Item 5

Report to: **Budget Cabinet**

Date of Meeting: 12 February 2018

Report Title: Revenue Budgets 2017/18 (Revised) and 2018/19, plus Capital Programme 2018/19 to 2020/21 (Updated for Final settlement)

Report By: Peter Grace

Assistant Director - Financial Services & Revenues
(Chief Finance Officer)

Purpose of Report

1. This report presents the revised revenue budget for 2017/18 and a budget for 2018/19. The revised budget for 2017/18 takes account of the known variations to expenditure and income streams that have occurred since setting the budget in February 2017.

2. This report has been updated since going out to consultation and following the receipt of the final government grant settlement on the 6 February 2018.

3. In setting the budget for 2018/19, recognition has been taken of the very significant ongoing reductions in external funding for the years ahead. The report identifies that a balanced budget can be achieved in 2018/19 although this involves using £1,039,000 of reserves built up for this purpose. The forecast deficit for 2019/20 is some £1,036,000, in 2020/21 it is £1.9m, and in 2021/22 it is £2.4m. The alignment of the Council's available resources to its priorities requires the achievement of additional income streams and the continuing review of services during the next 12 months in order to achieve balanced and sustainable budgets in the years beyond.

4. The Cabinet meeting on the 12 February is a key part of the budget setting process. The full Council meeting on the 21 February 2018 is responsible for setting a balanced budget and determining the Council Tax. If the recommendations in the report are approved by Council there will be an increase in the Borough’s part of the Council Tax in 2018/19 of 2.99%.

5. Please note that the final grant settlement figures from government were received on 6 February 2018 (after the report to budget Cabinet was produced and circulated) . The figures have yet to be received for Disabled Facility Grants. Once received adjustments will be made to the figures detailed in this report. Precepts will also be updated as and when final figures are received from the Police and Crime Commissioner, ESCC and the Fire authority.

Recommendation(s)

Cabinet recommend to full Council to:-

(i) Approve the revised revenue budget for 2017/18 (Appendix A).

(ii) Approve the draft 2018/19 revenue budget (Appendix A)

(iii) Approve a 2.99% increase in the Borough Council's part of the Council Tax.

(iv) Agree that the absolute minimum level of reserves that shall be retained be £6m (plus General Fund Balance) i.e. an increase of £1m from 2017/18.

(v) Approve the Capital Programme 2017/18 (revised) to 2020/21 (Appendix P).

(vi) Approve the proposed expenditure from the Renewal and Repairs Reserve, and Information Technology Reserve (Appendices J and I respectively) and those items from other reserves shown in Appendix H that can proceed without further reference to Cabinet or Council.

(vii) Approve that the use of the monies in the budget and Reserves for "Invest to Save" schemes be determined by the Chief Finance Officer in consultation with the Leader of the Council.

(viii) Approve the revised Land and Property Disposal Programme (Appendix L), and agree that disposals can be brought forward if market conditions make it sensible to do so.

(ix) Agree that schemes marked with an asterisk in the Capital Programme can proceed without further reference to Cabinet or Council.

(x) Agree that work on Priority Income and Efficiency Reviews (PIER) through the Strategic Budget Group should continue, and where possible identify a sustainable budget for a period in excess of one year. A mid-year review, for members and officers, to be undertaken in the light of the continuing severe government grant reductions.

(xi) Approve the detailed recommendations in Appendix M, which relate to the setting of Council Tax in accordance with Sections 31 to 36 of the Local Government Act 1992 (updated for full Council).

(xii) Approve that the budget be amended as necessary to reflect the final grant figures including Disabled Facility Grants.

(xiii) Approve an increase in the Council Tax premium chargeable for long term empty properties to 200% (from 150%), subject to the required legislation being in place along with sufficient time to undertake annual billing.

Reasons for Recommendations

1. Major reductions in funding in 2018/19 are set to continue into 2019/20 and beyond and this will impact heavily upon the Council's ability to provide services and grants across all areas of existing activity.

2. Since 2010/11 funding has been reduced by more than 65% in cash terms on a like for like basis. To ensure key corporate priorities are achieved it remains imperative that the limited resources available are properly targeted.

3. The Council needs to be in a position to match its available resources to its priorities across the medium term and to maintain sufficient reserves and capacity to deal with potentially large and unexpected events in addition to fluctuations in income and expenditure levels.

4. The Council is exposed to a much greater degree of volatility in the level of funding it receives through Non Domestic Rates. In addition it is also exposed to a much higher degree of volatility in terms of Council Tax Support claims – the Council now receiving an upfront sum as part of the annual grant settlement rather than reimbursement of actual costs. The potential downside risks of Brexit and the increased reliance on income streams provide further potential volatility to the Council's future funding.

5. Further reductions in grant funding have major implications for the Council and as such work needs to continue to identify and make savings in order to produce balanced budgets in 2018/19 and beyond.

Introduction

1. The Chancellor's November 2017 autumn budget identified that the real term reductions in local government funding would continue. Total public sector net debt amounted to £1.70tn in October 2017 (87.2% of GDP – an increase of £147.8bn compared to October 2016. As a result the government no longer seeks to deliver a budget surplus by the end of this parliament but as "early as possible" in the next parliament. There will be no easing of austerity for public services.

2. On a national basis significant public spending cuts continue to be made. Lower levels of disposable income may result in even more pressure on Council services such as Housing and Revenue Services.

3. The Council when setting the budget in February 2017 forecast that there would be a deficit in 2017/18 of some £555,000, and £1,676,000 in 2018/19. A balanced budget for the two years being achieved by using limited amounts of the Council's reserves. The position had improved in 2017/18 following in-year initiatives such as the purchase of the Bexhill Road retail park, service transformation work and an

improvement in the Social Letting Agency's position. However the Council is having to make provision for legal costs from the Pier claim. The deficit now forecast for 2017/18 is some £434,000 (the precise amounts of the legal claim costs are not yet known).

4. For 2018/19 following extensive service transformation work, service reviews and reductions, initiatives to generate additional income, as well as some budget growth, the deficit is estimated at some £1,039,000. The level of risk within the budget and uncertainty within the forecasts has increased – particularly the uncertainties surrounding Brexit, business rate income, inflation prospects, demands on services, and claims being made against the Council e.g. Pier and NHS rate claims.

5. The Council accepted the government's 4 year settlement offer last year. This results in a reduction in the Settlement Funding Assessment for Hastings BC in 2018/19 of some 6.8% or £381,000. The Revenue Support Grant decreases by £496,000 or 24.3% to £1,542,000. With the level of government grant continuing to decrease at such significant levels the Council will need to make further substantial savings, generate income, or both, in order to produce sustainable balanced budgets in the years ahead.

6. The Council's external auditors have commended the Council on its approach to financial management over the last few years and its approach to maintaining and enhancing reserves whenever possible. This approach has helped the Council in its transition to date and the continuation of this approach is proposed. However, the Council will need to further prioritise its full resources, at least for a while, on areas that generate or will generate additional income or where costs can be reduced or activities cut or postponed. Staff resources will need to be redirected.

7. It should be noted that the budget does now include the anticipated increases in expenditure (both Capital and Revenue) and increases in income that will arise during the year as income generation schemes are realised. The projections for the income achievable from energy initiatives have been reprofiled but remain very ambitious nonetheless.

Strategic Priorities

8. The Council's strategic priorities were refreshed for 2016/17 in the light of consultation and the continuing challenges that the Council and the community face and they continue to remain valid for 2018/19.

9. 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.

Financial Planning - Medium Term Financial Strategy

10. The Medium Term Financial Strategy, approved in November 2017, provided indicative budget forecasts for the 5 year period 2017/18 to 2021/22.

11. Given the need to plan for future years, the Medium Term Financial Strategy, identified key principles to be followed when compiling the budget as well as identifying the financial risks and opportunities more closely. The Financial Strategy is robust in that it integrates the financial and policy planning procedures of the Council.

12. That robustness is built upon a foundation of key principles:

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

(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 consciously strengthened its reserves in the last few years, knowing that these will be required to ease the transition to a sustainably funded Council and to meet key corporate priorities. The Council now requires the use of these reserves to achieve balanced budgets 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 existing budgets to identify efficiency savings and to ensure existing spend is still a Council priority (Priority Income and Efficiency Reviews – PIER)

(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.

(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 2017 gives a 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.

The Key Factors Impacting on the Budget

Funding from Business Rates

13. The government launched the Business Rates Retention (BRR) scheme on 1 April 2013 as one of the main forms of local government funding. Instead of a single grant settlement for 2018/19 the Council receives details of Revenue Support Grant (RSG) and the Business Rate Baseline Funding level (expressed as Baseline Need). The two figures effectively make up the Settlement Funding Assessment (SFA). Whilst the government calculate a notional business rate figure they believe each Council should collect, ultimately it is the actual level of business rates collected that will determine the total funding received for this element of the settlement i.e. the level of RSG is guaranteed throughout the year whilst the business rate element is not.

14. 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).

15. 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 – save for a new revaluation every three years.

16. 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.

17. 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 is in place with the first reset in 2020/21 (expected to be overtaken with the Fair Funding review). The system, the calculations required, accounting treatments, and particularly the budgeting requirements are not straightforward.

18. 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.

19. 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 now estimated to amount to some £900,715 for Hastings in 2017/18 and some £1,113,725 in 2018/19.

20. The rateable value (RV) of business properties at the start of the 2018/19 year is forecast to be some £62.7m. However given the level of appeals, forecasting income levels for 2018/19 and beyond remains challenging. Business rates and the levels of appeals/ growth/ decline has been highlighted as a real risk yet again and will continue to impact significantly on the Council's level of funding. It is one of the key risks that the Council faces in terms of income volatility.

21. Multiplying the rateable value figure by the rate poundage and after charity and other reliefs the Council will collect some £21.1m of which the Council share is some 40% (£8.37m in 2018/19). For Hastings however with a Baseline Need that is lower than the Business Rate Baseline a Tariff is paid to central government – this amounts to £5,500,927 in 2018/19. The estimate of the business rate income collected that will be retained by the Council in 2018/19 amounts to £2,756,000.

22. The Council is required to make an annual assessment of the income it expects to collect from business rates, and to provide these figures to government, East Sussex County Council and the Fire and Rescue Authority who each receive a share of the actual rates collected.

23. The Business Rates Pooling arrangement within East Sussex will recommence on 1 April 2018. This has followed due consideration as to appeal levels, revaluation implications and uncertainties on growth. The pool results in monies that would otherwise be paid to the government in terms of a levy being retained within East Sussex. The latest estimate is a £57,589 p.a. benefit to the Council.

External Funding – Annual Grant Settlement (and 4 year indicative forecast)

24. The 2018/19 provisional finance settlement was announced on 19 December 2017 with the final settlement figures being received on the 6 February 2018. The settlement provides details of the Revenue Support Grant and the levels of Business rates that the government expects councils to retain – the two figures combined make up the Settlement Funding Assessment.

Year	Settlement Funding Assessment (£ 000's)	Decrease (£ 000's)	Percentage Change (Annual)	Percentage Change (Cumulative)
2015/16	£7,194			
2016/17	£6,331	-£863	-12.0%	-12.0%
2017/18	£5,605	-£726	-11.5%	-22.1%
2018/19	£5,216	-£389	-6.9%	-27.5%
2019/20 (Est)	£4,743	-£473	-9.1%	-34.1%

25. In terms of the cash grant that the Council receives from the government (Revenue Support Grant) the Council signed up to the 4 year settlement offered. The updated figures of the grants receivable over the period are detailed below. The Council will lose £496,000 in Revenue Support Grant in 2018/19, and by 2019/20 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	-23.9%	-£891	-23.9%
2017/18	£2,038	-£797	-28.1%	-£1,689	-45.3%
2018/19	£1,542	-£496	-24.3%	-£2,185	-58.6%
2019/20 (Est)	£988	-£554	-35.9%	-£2,739	-73.5%

26. The Council will no longer receive any Transition Grant funding in 2018/19 (£5,493 in 2017/18).

27. Discretionary Housing Payments (DHP's) play a vital role in supporting a lot of people affected by the welfare changes. The grant figure for 2017/18 amounted to £412,154. The figure for 2018/19 is £381,729 i.e. a reduction of £30,425. This funding will be fully subscribed.

Summarised Grant Position

28. The level of grants received from the government between 2010/11 (the year before the previous Comprehensive Spending Review) and 2018/19 have decreased by some 69% 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).

29. **In 2018/19 the Council will lose £496,000 in Revenue Support Grant. New Homes Bonus is some £359,000 less than in 2017/18 as detailed in the report and is set to fall further. These two grants losses alone amounting to some £855,000. This loss of grant when combined with the additional costs from inflation and pay increases and demand pressures present the Council with significant financial and resource challenges**.

Fair Funding Review & Business Rates Retention

30. The government have issued a consultation paper on the future funding mechanism – the Fair Funding Review. The consultation lasts for 12 weeks form 19 December 2017 to 12 March 2018. The Communities Secretary also confirmed the government's aim to increase business rates retention for all local authorities in 2020 to 2021 to help meet the commitment to give local authorities more control over the money they raise locally.

31. This review will calculate new baseline funding levels based on an up-to-date assessment of the relative needs and resources of local authorities. Business rates will be redistributed according to the outcome of the new assessment, alongside the resetting of business rates baselines, subject to suitable transitional measures.

32. The government wants local authorities to retain 75% of business rates from 2020 to 2021. This will be through incorporating existing grants into business rate retention including Revenue Support Grant.

Income Generation

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

34. The Council has stepped up the level of income it is receiving from property and is looking to diversify its income streams further through the housing company and from energy. The table below highlights some of the more recent acquisitions and initiatives that have either generated or saved money and will go a little way to meeting the massive funding reductions the Council is experiencing and thus helps to protect services.

Location	Income	MRP and Interest	Net Additional Income
	£	£	£
Muriel Matters	321,000	220,800	
MM Shops	41,000		
Totals	362,000	220,800	141,200
Town Hall	97,000		97,000
Sedlescombe Rd North	460,000	294,613	165,387
BD Food Factory	40,000	91,488	- 51,488
Sea Front Kiosks	7,900	0	7,900
Bexhill Rd Retail Park	543,000	356,660	186,340
Property Fund	80,000	0	80,000
Totals	1,589,900	963,561	626,339

35. Given the Council's need to generate significant levels of new income if services are to be protected, an income generation strategy was agreed in September 2017. The Council's income generation plans involve both capital and revenue expenditure.

36. The Council is able to borrow for capital expenditure but must determine its overall borrowing limits prior to the start of the financial year. It is able to vary them within the year, but such decisions can only be taken by full Council. The purpose of setting borrowing limits is to ensure that the borrowing costs are prudent and affordable when determining the budget. The proposed levels are contained within the Treasury Management Strategy which is considered by the Audit Committee and Cabinet before being determined by full Council.

37. The Council agreed at its Cabinet meeting on 11 September 2017 to spend £50m on Commercial Property, Housing and Energy initiatives over the next 3 years. These initiatives are intended to support key priorities within the Corporate Plan e.g. economic, regeneration, housing and sustainability, provide additional income streams, or both.

The table below highlights the proposed Capital spend

	2017/18	2018/19	2019/20	2020/21
	£	£	£	£
Commercial Property	9,000,000	20,000,000		
Housing	1,500,000	5,000,000	5,000,000	3,500,000
Energy		2,000,000	2,000,000	2,000,000
Total	10,500,000	27,000,000	7,000,000	5,500,000

38. The table below shows the additional income projections for the main initiatives. In addition £2m was invested with a Property Fund (CCLA) in April 2017. The income projections continue to be refined, particularly around energy with £80,000 of net income being allowed for in 2018/19 budget estimates compared to the £280,000 in the Income generation strategy projection.

Additional Income Generation Projections	2017-18 Revised Budget	2018-19 Projection	2019-20 Projection	2020-21 Projection	2021-22 Projection
(Cabinet 11 September 2017)	£000's	£000's	£000's	£000's	£000's
Income Generation - Commercial Property	(92)	(373)	(570)	(576)	(576)
Income Generation - Housing Company	(20)	(60)	(147)	(200)	(200)
Income Generation - Energy		(280)	(540)	(540)	(540)
Total	(112)	(713)	(1,257)	(1,316)	(1,316)

39. Given the funding gap that remains, the Council will need to consider its appetite for further risk involving income generation and its ability to identify further efficiencies or reductions in services.

Fees and Charges

40. The Council has limited reserves and remains reliant upon income streams and investment returns to balance the budget. Rental streams from shops remain under considerable pressure e.g. Priory Meadow. Given that income streams remain a risk, fees and charges have been kept under careful review and are considered annually against the background of Council priorities, the local economy and its needs, and people's ability to pay.

41. With a number of exceptions, fees and charges have generally been increased by a minimum of the retail price index - except where set by statute, or in line with

market fees. The majority of planning fees are determined nationally by government. The government had announced that they would "consult on allowing well-performing planning services to increase their fees in line with inflation at the most, providing that the revenue reduces the cross subsidy that the planning function currently gets from council tax payers". To date it remains unclear as to when the revision of the statutory charges will apply. The government have announced that fees can be increased by 20% as long as the additional resources are retained in planning – the details are awaited.

42. Car parking charges were last increased in February 2017 for a 12 month period (increases were applicable from 1 April 2017). The Council has experienced a significant increase in business rates on some of its car parks following the 2017 national revaluation and the phased increases will continue. The Council has also recently invested heavily in updating the town's CCTV system which provides cover for the car parks. Some of the car parks are regularly full and it remains important that those car parks situated near to the commercial hub are priced effectively to ensure that spaces are available for shoppers. The Council will be conducting a condition survey of the Priory Street car park during 2018, with the potential of significant additional expenditure in 2019/20 and beyond in order to substantially extend its future life. Whilst there are considerable cost pressures the economic vitality and attractiveness of the town remain a key priority for the Council and no increases in charges are proposed for 2018/19.

Investment and Borrowing

43. Base rates increased in 2017 to 0.5% from their previous level of 0.25%. Given the restricted counterparties list and short investment periods, investment returns of around 0.5% (excluding property funds) are predicted in 2018/19. The Treasury Management Strategy will continue to advocate a policy of keeping the respective levels of debt and investment under review.

44. The Council has had additional borrowing requirements in 2017/18 to finance the acquisition of the retail park and other capital schemes. This increases the borrowing costs as well as the amount required to be set aside each year to repay this debt (the Minimum Revenue Provision).

Inflation

45. This had not been a major issue over the last couple of years. Inflation has however been increasing over the last few months and looks set to increase further. In November 2017 it was 3.9% (Retail Price Index) whilst the government's preferred measure CPI (Consumer Price Index) was 3.1%.

46. Inflation, according to the Bank of England inflation report is expected to be at or around the 2% target in the next two years.

47. Based upon the above projections, general inflation is being estimated at 2% overall for 2018/19 and beyond. However, only contract inflation is being allowed for in the budget i.e. a real cash freeze again for all other service expenditure areas. Any increases above this level would need to be contained within service budgets within the year.

Public Sector Pay Settlement and National Living Wage

48. The figures in the Medium Term Financial Strategy assumed a 1.5% increase for 2018/19 and 2%beyond. In addition there are contractual increments (equivalent of around ½%). Since then a headline offer of 2% for each of the next 2 years has been made by the employers. The rate is higher for those on lower grades. Some 71 staff at the Council would receive more than the 2%. Nationally the settlement is assessed as being between 2.7% and 2.8% p.a. (It is understood that the offer has not been accepted)

49. The salaries budget together with national insurance and pension costs amounts to some £11.2m in 2017/18. The costs are estimated to increase by some £250,000 in 2018/19.

50. The Council remains committed to paying the accredited living wage (£8.75 per hour for over 18's), which is significantly higher than the national minimum wage of £7.05 per hour for under 25's, and the new national living wage for over 25s of £7.50. The pay settlement makes proposals for pay scales to be amended reflecting the effects of the higher increases at lower pay scales.

Council Tax Reduction Scheme

51. 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 however that its own scheme (The Council Tax Reduction Scheme) would remain the same in 2015/16, it did the same again in 2016/17 and 2017/18, and the same again for 2018/19 (Full Council in December 2017).

52. The Council Tax Reduction Scheme continues to pose a significant financial risk for the Council. That risk being that should claimant numbers increase the additional costs now fall on the Council and its preceptors rather than the government. The Council will need to continue to retain adequate reserves for this purpose. However, there has been a reduction in the numbers seeking assistance and this has resulted in fewer discounts being granted. This reduction impacts positively on the calculation of the Council Taxbase.

53. Given that overall levels of government funding continue to decline year on year, the Council will again need to review the affordability of the scheme during 2018/19, and is doing so in conjunction with neighbouring authorities.

Universal Credit & Benefit Administration Grant

54. 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 2018/19. The first new claims actually took place in April 2015 but has had relatively little impact on the service until the 14 December 2016 when all new claims for those of working age and some change of circumstances transferred to Universal Credit.

55. The impact of the change is for a reduction in benefit claims, an increase in questions and support, and a reduction in the Council Tax and Housing Benefit administration grant receivable in the years ahead. The implications on staff and services is becoming better understood and necessitates changes to the Council Tax Support scheme if the Council is not to be engulfed in numerous change of circumstance requests. It should be noted that the final stage of converting the stock of existing working age Housing Benefit claims onto Universal Credit is still some years away – to be completed by 2022. However there appears to be no immediate plans for the transfer of pensioners or the more complex cases away from Housing benefit – which could see the Council retaining some 40% of cases.

56. The Department for Work and Pensions (DWP) are providing additional funding to the Council in 2018/19. Some of this will be required to fund external support organisations for those providing debt advice, etc, which is paid on a per head basis Some funding however is to meet the additional burdens on dealing with DWP enquiries, complex cases and closing down existing claims.

57. The Benefit Administration Grant for 2018/19 has been reduced to £420,606 (from £460,841) – a loss of £40,235 (8.7% reduction). Please note the Council Tax Support Grant has been separated out from the Benefit Administration Grant line (see Appendix 1).

58. The level of Council Tax Support Administration Grant receivable in 2018/19 has now been notified at £166,913 (£178,405 received in 2017/18). This represents a reduction of £11,492 (a 6.5% reduction).

59. Sizeable reductions in grant funding are expected in the years ahead as Universal Credit is rolled out – reductions in grant will necessitate ongoing reviews as to how the Council delivers this service.

Council Tax - Empty Homes Premium

60. From April 2013, billing authorities in England took on an additional power over certain Council Tax discounts.

61. The government is keen to encourage owners of empty homes to bring their properties back into use. To help achieve this, local authorities will be able to increase the council tax premium from 150% to 200%.The County Council, Police and Fire Authority who are all experiencing funding pressures would also benefit. It is recommended that the percentage be increased to 200% from 1 April 2018.

62. Based on current numbers the estimated additional net income to Hastings BC is some £10,000 p.a. If however the policy succeeds the level of income will naturally be less.- although this would offset pressures elsewhere.

Pension Fund Contributions

63. 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 was 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 0.75% for future ill health retirements (these are percentages of salaries of staff in the pension scheme) plus a lump sum (secondary rate), namely:

2017/2018 -17.3% +0.75% + lump sum of £489,000 (6.5%)
2018/2019 -17.3% +0.75% + lump sum of £540,000 (6.5%)
2019/2020 -17.3% +0.75% + lump sum of £594,000 (6.5%)

64. The above lump sum figures represent growth of £51,000 in 2018/19, and further growth of £54,000 in 2019/20. The rates are expected to be more stable in the years beyond 2020/21and no increase has been allowed for above and beyond the percentage pay increases.

Grants

65. 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 few 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).

66. 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:-

(i) Climate Active Neighbourhoods (CAN) (£870,000 over 3 years),
(ii) Sustainable Housing Inclusive Neighbourhoods (SHINE) (£1.5m over 4 years),
(iii)Community Led Local Development (CLLD) (£3.3m),
(iv)Destination White Rock – continuing the economic revival (£1.5m over 2 years),

67. Most of the bids made have been successful and the resultant regeneration work within Hastings remains significant.

68. Of significance is the monies paid to the Council from the Clinical Commissioning Group (CCG) for various joint initiatives which are included in the Council’s budget (some £1.7m in total over the next few years). It should be noted that this inflates the Council’s net expenditure figures (the funding is included in transfers from reserves).

New Homes Bonus

69. 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 2017/18 amounting to £1,008,963.

70. The government announced in the November 2015 Autumn Statement that it would be consulting on changes to the New Homes Bonus - the money saved going to Social Care. The outcome as announced on the 15 December 2016 has been to reduce the period that it is payable for - from 6 years to 4 years with a transition year for 2017/18 whereby 5 years is payable. The government also decided to

introduce a minimum growth baseline of 0.4% below which the bonus will not be paid; this they state reflects a percentage of housing that would have been built anyway. The payment of a small amount to reflect the increase in affordable properties does not appear to be affected by the threshold decision.

71. The Council Tax Base return (CTB 1 in October 2017) identifies that the number of new properties completed and the number of long term empty properties brought back into use (net) amounted to some 292 properties (some 243 band D equivalent properties), which results in income amounting to some £142,362 for 2018/19 .

72. The table below shows the New Homes Bonus receivable by the Council in 2018/19 and estimates for future years.

73. Table: New Homes Bonus

Year	2017/18	2018/19	2019/20 (Est)	2020/21 (Est)	2021/22 (Est)	2022/23 (Est)
	£	£	£	£	£	£
Year 1						
Year 2						
Year 3	119,097					
Year 4	382,670					
Year 5	119,542	119,542				
Year 6	382,055	382,055	382,055			
Year 7	5,600	5,600	5,600	5,600		
Year 8		142,362	142,362	142,362	142,362	
Year 9			100,000	100,000	100,000	100,000
Year 10				100,000	100,000	100,000
Year 11					100,000	100,000
Year 12						100,000
Total	1,008,964	649,559	630,017	347,962	442,362	400,000

74. The reduction between 2017/18 and 2018/19 is a funding loss of £359,000 – a 36% reduction. Over two years the reduction amounts to some £738,000.

75. 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 money has been fully utilised to help balance the budgets in every year since its introduction.

Revised Budget 2017/18

76. The revised 2017/18 total service expenditure budget amounts to £15m, against an original budget of £14.9m (Appendix A). The deficit amounts to some £433,919.

The main variations are summarised in Appendix C. These include:-

1. Property – income is currently higher than original budget estimates as a result of property purchases e.g. Bexhill Road Retail park, where the full year income receivable amounts to some £543,000.

2. Investment income is higher than the original budget following the decision to invest in the Property Management Fund (CCLA). The Council investing some £2m in April 2017).

3. 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 as in previous years 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. Given government changes to the scheme, the Council is no longer having to collect relatively small sums from a number of businesses and is instead reimbursed by the government for the income foregone.

4. A relatively good summer and mild autumn to date has resulted in parking income being more buoyant than projected. Off-Street Parking income is forecast to be higher than originally budgeted by some £100,000.

5. Inflation: The Council allowed around 2% overall for inflation on its main contracts in 2017/18. With some £5m of major outsourced contracts, inflation assumptions remain important for budget planning purposes. Estimates indicate that there will be additional costs of some £93,000 p.a. on major contracts.

6. Council Tax Support Scheme – lower levels of claims continue to be experienced in 2017/18, which results in higher levels of council tax being collected. The caseload is currently 10,193 and represents a decrease of 4.7% from September 2016. Housing Benefit caseload also continues to decrease, now standing at 8,180 – a decrease of 17.6% from September 2016 (the cost of the claims being funded by government in this instance).

7. Since determining the budget in February 2017, the Council's budget has been enhanced by the receipt of a number of grants and additional funding sources, all of which will be matched with expenditure and are not therefore expected to reduce the in-year deficit. Additional funding includes:

   - Flexible Homelessness Support Grant - £451,597 (2017/18) & £519,586 (2018/19)

   - Community Housing Funding - £244,098

   - Clinical Commissioning Group Monies – Total expenditure some £1.728m in period to 2019/20

   - Discretionary Housing Payments £412,154 (2017/18)

   Of the above, some £940,000 is expected to be additional spend in 2017/18 and is included within the revised budget.

8. It is recommended that if there were to be any underspends at year end these are transferred to the Invest to Save Reserve.

Budget 2018/19

77. The Council's total service expenditure in 2018/19 is estimated at £12.8m. This compares to a revised estimate of £15.1m for 2017/18 and represents a decrease in net expenditure of 15.2%. Two key areas account for the majority of the reduction, firstly timing of payments in respect of the Clinical Commissioning group expenditure and secondly provision for legal costs.

78. The Revenue Support Grant receivable from the government in 2018/19 of £1,542,000 represents a £496,000 (28.1%) reduction from the 2017/18 settlement. The impact of the settlement in 2018/19 is even more severe given the reduction in New Homes Bonus monies (a reduction of £379,000 (27.3%) from 2017/18).

79. In addition to the reductions in central funding and New Homes Bonus there are a number of costs, that impact on 2018/19. These include :

    i) 2% Pay increase (est)

    ii) Pension increase

    iii) Interest rate - borrowing rates

    iv) Rateable values

    v) Redundancy costs fall within the year that the decision is made. Additional costs are anticipated in 2018/19 beyond the £175,000 allowed in the base budget. A further £225,000 is therefore being funded from the Redundancy Reserve i.e. £400,000 in total for 2018/19.

    vi) The estimate of the deficit on the Collection Fund in respect of business rates (largely appeals) is some £63,896 (£236,000 in 2017/18). This is recovered in the 2018/19 accounting period as a charge to the General Fund.

80. The estimated balance on the Collection Fund at 31 March 2017 in respect of Council Tax is a surplus of £125,899 (Hastings BC share), but the estimated deficit of £63,896 (HBC share) in respect on business rates, reduces the overall surplus to some £62,003. This compares to a £4,488 deficit that was charged to the 2017/18 budget.

81. Savings and some areas of growth have been identified through the PIER process which amount to £487,000 (net) in 2018/19 (Appendices - K and Kii).

82. Of particular note are the income generation projections, but also the growth areas in respect of Homelessness (plus £156,000) and Policy Planning (plus £61,000).

83. The PIER saving in respect of the Digital by Design transformation will continue for a number of years as the Council transforms itself. Savings amounting to a further £46,000 in 2018/19

84. Discretionary Housing Payments – £412,000 was received in 2017/18. The figure for 2018/19 is £381,729 i.e. a reduction of £30,425.

85. The use of Invest to Save monies is considered fundamental to assisting the Council in the transformation to a lower spending authority – a business case is required before such money can be used. In February 2017 it was agreed that the use of the monies be determined under delegated powers by the Chief Finance Officer in consultation with the leader of the Council. It is recommended that the use of these sums is again determined for 2018/19 and beyond under delegated powers by the Chief Finance Officer in consultation with the leader of the Council.

86. As a result of inflationary impacts the Council can expect the costs of external service provision to rise e.g. contracts. The Council will need to ensure it reviews specifications closely, as successfully achieved in the cleaning contracts, in order to ensure overall costs do not rise and this may also result in service reductions.

87. The Capital programme is detailed separately in the report. There are aspects of Capital schemes e.g. feasibility studies that cannot be capitalised. These aspects will in the main continue to be funded from capital reserves. Likewise the Council can recover some costs of disposal (revenue costs) from capital receipts when assets are sold. There are some larger studies e.g. White Rock Area where the Council has identified separate revenue resources.

88. In summary there is an estimated deficit of £1,039,000 in 2018/19. The savings identified and additional income generated, mean that a balanced budget can be achieved in 2018/19 using some £839,000 of the Transition Reserve, £100,000 from the Economic Development Reserve and £100,000 from the Community Safety Reserve.

89. In view of the reduced resources available in 2018/19 and beyond the Council must 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.

Budget 2019/20 and beyond

90. The Council signed up to the government's offer of a 4 year settlement i.e. the four years to 2019/20. The Council's Efficiency Plan was accepted by the government. The benefit of doing so is that there is a degree of certainty on part of the Council's grant funding for the next 3 years – as identified in previous tables.

91. The indicative Revenue Support Grant reductions to be implemented over the period 2018/19 to 2019/20 amount to £2,739,000 (73.5%).

92. To achieve a balanced budget in 2019/20 (without using reserves) savings of £1,036,000 need to be identified. This figure reduces to zero after allowing for part use of the Community Safety Reserve(£100,000), part use of the Economic

Development Reserve (£100,000), and a further £836,000 from the Transition Reserve.

93. To achieve a balanced budget in 2020/21 (without using reserves) savings of £1.9m need to be identified. This figure reduces to £1.6m after allowing for part use of the Community Safety Reserve (£100,000), part use of the Economic Development Reserve (£100,000), and what remains by then in the Transition Reserve (£91,000).

94. By 2021/22, the Transition fund would be extinguished completely. The funding shortfall estimated for the year being some £2.4m.

95. The future projections are identified in Appendix G. These estimates assume savings and additional expenditure and will be refined as and when more information is available e.g. once the theatre tenders are received/negotiations are completed.

96. The Council needs to achieve a much higher level of Income generation and PIER savings than those currently identified in Appendix K in order to achieve a manageable deficit in 2019/20 and the years beyond. The further transformation of the ways that people deal with the Council and how it works (Digital by Design) remains crucial to achieving further savings. The achievement of these must remain a priority for the Council.

97. The reserve on their own are not sufficient to balance the budgets of the future years (based on current estimates and assumptions). By 2020/21 based on current assumptions the Council will need to achieve a fully balanced budget without the use of reserves.

98. In order to address the budgetary issues ahead whilst also looking to improve the customer experience, and join up the major initiatives across the Council, it is recommended that the Priority Income and Efficiency Review process (PIER) be continued.

Council Tax

99. 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 (£)
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% (£5)	3.1%	245.33
2017/18	2.0% (£5)	4.0%	250.33

100. The tax base for 2018/19 is some 1.94% higher, as a result of additional properties and a significant reduction in the Council Tax Support being claimed. The effect is to increase the tax base from 25,095 to 25,582 (worth some £122,000 p.a. to HBC alone).

101. It is again open to the Council to increase Council Tax for 2018/19. One percent on the Council Tax will equate to around £64,000 of income for this Council.

102. The 2018/19 budget projection assumes a further contribution of £126,000 from the Council's Collection Fund in respect of Council Tax due to a good collection record. However there remains a deficit in business rates income mainly caused by the high level of successful rating appeals. An estimated deficit of £63,000 has currently been included in the strategy but this figure could be amended significantly before the year end.

103. The government announced on the 19 December 2017 that shire district Councils will be allowed increases of less than 3%, or up to and including £5, whichever is higher in 2018-19 and 2019-20 without the need for a referendum. The Council could agree a higher level if a referendum was held that supported a bigger increase.

104. The figures in the appendices (Appendix M) show an indicative 2.99 % increase for Hastings BC and a 2.99% increase for ESCC and 3% in respect of the Social Care Levy (5.99% in total), 2.94% for the Fire Authority and a £12 (7.8%) increase for the Police and Crime Commissioner .

105. Council Tax is at £250.33 (Band D – Hastings BC element) and a 2.99% (£7.48 for a Band D property) increase in 2018/19 would take this to £257.81.

Asset Sales - Capital Receipts

106. A number of revisions to the programme have been made to take account of changing circumstances. Appendix L provides the profile of programmed receipts. In addition to the sites listed, opportunities for other asset sales and disposals continue to be explored.

107. Given the income generation options that are to be brought forward, disposal of the major sites will not now be undertaken without first assessing whether they are of interest for development by the Council itself or a wholly owned Council company. Such a policy does have big implications for the Council in that more schemes within the Capital programme will need to be financed by borrowing if materially delayed – with the ongoing consequences for the revenue account.

108. As ever it remains imperative that the Council maximises its capital receipts. Failure to do so will necessitate curtailment of the already limited capital programme given the costs of borrowing. The additional costs of borrowing fall directly on the revenue account in terms of interest payments and annual contributions towards the repayment of the principal (i.e. Minimum Revenue Provision (MRP)). If there are invest to save efficiencies then these costs may be offset. Appendix E identifies the capital financing requirement over the life of the capital programme.

109. It should be noted that capital receipts can generally only be used for capital purposes. It is recommended that asset disposals be brought forward if market conditions make it sensible to do so.

Capital Programme

110. The capital programme analysed by service is attached (Appendix P).

111. The proposed programme satisfies the requirement that schemes meet the following criteria:-

Contribute towards achieving the Council's corporate priorities and one or more of the following:-

a. be of a major social, physical or economic regeneration nature,

b. meet the objective of sustainable development,

c. lever in other sources of finance such as partnership/lottery funding or provide a financial return for the Council,

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

112. There is a need to maintain the property portfolio in order to avoid higher maintenance costs and declining assets in future years. 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 in a period of economic uncertainty - and also given the increase in competition for tenants. To this end the Council has continued to refurbish industrial units. Likewise for the economic vitality of the town it is important that infrastructure remains well maintained. To this end the sum of £50,000 p.a. within the Capital programme is retained for public realm enhancements.

113. For 2017/18 there will be slippage on a number of schemes, including the Country Park Visitor Building, and the Castle. The overall spend will exceed the original budget estimates following the purchase of Bexhill Road Retail Park, the establishment of the housing company, and approval for York Buildings and the capital contribution to Priory Meadow in respect of the Council's share of capital investment over the next three years (£250,000). Additional land and property acquisitions in the year have also been approved by the Council.

114. There are also substantial calls being made on the Council's resources to fund replacement equipment on playgrounds and maintain sports grounds, pitches and other facilities. An additional £250,000 has been allowed for in the Capital programme to be funded from the repairs and renewals reserve and S106 monies.

115. The purchase of a further Retail Park in 2017/18 plus completion of other capital schemes has resulted in some £13m of expenditure (as at the time of writing) and this figure could increase by the end of the financial year.

116. The level of Disabled Facility Grant (DFG) funding for 2017/18 was £1,543,547 with another £154,000 recently allocated. Figures have not yet been advised for 2018/19. The funding is from the Better Care Fund and paid to the Council from East Sussex County Council rather than directly by the government. The capital programme will be revised once figures for 2018/19 are advised. On a national basis funding for DFG's increased from £220m in 2015/16 to £394m in 2017/18. It is set to increase to £500m by 2019/20 but the government have provided no indicative figures beyond 2017/18. This is a capital grant and can be used for DFG purposes only. The budget is not currently being fully committed – the projected underspends are being transferred to a new earmarked reserve.

117. The Council approved in late 2016 the purchase of a parcel of industrial land. Proposals for development are in the pipeline, but affordability is an issue. No allowance for this is made within the capital programme and as such will be the subject of a further report once funding options are fully explored.

118. The capital programme in summary (net of external funding) amounts to:-

	Revised 2017/18 £'000s	2018/19 £'000s	2019/20 £'000s	2020/21 £'000s
Gross Capital Expenditure	17,027	32,938	8,767	7,162
Net Capital Expenditure	13,145	28,691	7,210	5,623
Financing from own resources	968	1,531	210	123
Borrowing Requirement	12,177	27,160	7,000	5,500

119. In terms of net cost, the 2017/18 programme has been revised to £13,145,000 from £15,310,000. The 2018/19 programme amounts to £28,691,000 (£32,938,000 Gross).

120. The draft capital programme shows the status of the schemes

c denotes schemes which are committed
n denotes schemes that are new
u denotes schemes which are in the programme but as yet uncommitted

121. It is proposed that schemes marked with an asterisk proceed without further reference to Cabinet or Council.

Capital Programme - Incremental Impact on Band D Council Tax

122. In determining the affordability of new capital proposals the Council has been required to consider the incremental impact on the Council Tax for future years. 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.

123. Where the programme is financed by capital receipts, reserves, external grants and contributions with limited borrowing the impact on the revenue budget at a time

of low interest rates is relatively small. Details of revenue cost implications are highlighted in Appendix E, but in short the Council's capital programme remains affordable for 2018/19.

Investment in Council Assets

124. 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.

125. 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 (£400,000 in total) have been made on the fund for works on the cliffs. It is however clear that a further sum of up to £100,000 will be required to address some further immediate concerns (to be addressed within the next 12 months). As such a further £100,000 has been included within the contingency budget, funded from the Renewal and Repairs reserve for 2018/19, but further substantial sums may be required.

Minimum Revenue Provision (MRP)

126. 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.

127. 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 i.e. the Minimum Revenue Provision. The MRP for 2018/19 is estimated at £1,116,000 (excluding any notional figures for leasing arrangements).

128. 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.

129. 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.

130. The MRP is set to increase substantially in 2018/19 and beyond as a result of additional borrowing, particularly in respect of income generation initiatives. The Council's MRP policy is determined by full Council as part of the Treasury Management Strategy in February for the forthcoming year.

131. The table below identifies the estimated Capital Financing Requirement (CFR) for each of the next four years and the Minimum Revenue Provisions (MRP).

Year	2017/18	2018/19	2019/20	2020/21	2021/22
	£	£	£	£	£
CFR-Opening	29,918,363	37,961,885	64,033,807	69,686,196	75,204,866
MRP	777,978	928,078	1,633,554	1,831,358	2,037,609
CFR Closing	37,961,885	64,033,807	69,686,196	75,204,866	73,577,684

These figures are very much dependent upon the level and timing of capital acquisitions, the level of capital receipts received and the useful life of the assets acquired or constructed. The figures will continue to be reviewed throughout 2018/19 and regularly thereafter, based on the proposed Capital programme, and subsequent changes and timing thereof.

Reserves

132. The Local Government Act 2003 (Part 2) requires the Chief Finance Officer to report on the adequacy of the proposed financial reserves, and determine the minimum level required when setting the annual budget. There is no statutory minimum requirement, but reserves must be set at a prudent level given the activities of individual councils and potential liabilities that they face or may face in the future i.e. a risk based approach.

133. 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 (provisions are used for liabilities with uncertain timings or amounts). Such reserves are referred to as Earmarked reserves.

d. To assist in the transition to a lower spending Council

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.

134. The Council maintains a working balance in accordance with (a) above in the sum of £500,000. In respect of (c) above 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. The full renewals and repairs programme is attached in Appendix J.

135. For the strategy reserves at 31 March 2018 are estimated to consist of:-

General Reserves	Estimated Balance at 31.3.2018 £'000s
Revenue Reserves	7,658
Capital Reserve (Revenue monies)	513
Total	**8,171**

Earmarked Reserves	Estimated Balance at 31.3.2018 £'000s
Renewals and Repairs Reserve	1,492
Insurance & Risk Management Reserve	310
IT Reserve	150
S106 Reserve	404
VAT Reserve (incl. Senior and Youth support &Capital contributions)	207
Government Grant Reserve	424
Revenue Hardship Fund	80
Monuments in Perpetuity	43
Ore Valley	250
Mortgage Reserve (LAMS)	151
Invest to Save and Efficiency Reserve	502
Resilience and Stability Reserve	600
Transition Reserve	1,788
Redundancy Reserve	648
Community Safety Reserve	350
Economic Development Reserve	501
Disabled Facilities Reserve	974
Clinical Commissioning Group	101
Selective Licensing	53
Other reserves	247
Total	**£9,275**

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 2018/19 and beyond.

136. At 31 March 2018 General and Capital Reserves will amount to an estimated £8.17m, of which some is already committed e.g. empty homes strategy.

137. The estimated reserves position, as at 31 March 2018, is shown in Appendix H. As an absolute minimum, the combined level of the Capital Reserve and General Reserve should be £6m i.e. the non- earmarked reserves. This is an increase of £1m on 2017/18 and reflects the more difficult funding regime, as well as the experience of recent years which has seen financial claims being made against the Council e.g. pier claim, land charges, and the mandatory rate relief claim in respect of NHS properties. This level is required to be maintained to cover unexpected expenditure, e.g. emergencies, potential over runs of gross expenditure and down turns in income sources, and was arrived at as follows:-

(i)	10% downturn in income (sales, fees, rents, etc)	- £2m (Projection)
(ii)	5% over run in expenditure (including capital)	- £2m
(iii)	Unforseen events/losses	- £2m

138. In addition, given the economic environment and all the uncertainties described elsewhere, it is prudent to maintain the two reserves at a figure above the absolute minimum and wherever possible increase the level of reserves. Any under spends in the year must be considered as opportunities to strengthen the reserves and improve services for the future – given the funding uncertainties.

139. 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 Financial Officer is required to report on the reasons, and the action, if any, which he considers appropriate.

140. Section 25 of the Local Government Act 2003 requires the Chief Financial Officer to report to members on the robustness of the estimates and the adequacy of the reserves when considering the budget and Council Tax. It is the view of the Assistant Director - Financial Services & Revenues that the processes followed and the information systems used are sound and that the regular reporting and involvement of senior managers in managing budgets provides sufficient assurance that the resultant estimates are as robust as present economic circumstances allow and that the reserves are currently adequate.

Consultation

141. The draft Corporate Plan and Budget being the subject of consultation (from Friday 12 January 2018). The closing date for comments (Friday 9 February) being after the dispatch of the Cabinet agenda and therefore any comments received are reported verbally to Budget Cabinet on 12 February. Comments received from the business community, voluntary and community sector organisations and the Overview and Scrutiny Committee meeting being included within the Corporate Plan report elsewhere on the agenda.

142. The full Council meets to set the budget on 21 February 2018.

Equalities and Community Cohesiveness

143. The equalities implications of the proposals included in the draft budget and corporate plan are set out in Appendix K2. Members are reminded that they are under a duty to give due regard to considerations of equality when making

decisions regarding the Budget and Corporate Plan, (Equality Act 2010). As with the consultation feedback set out above, if any information is submitted as part of the consultation which requires a revision of this assessment, this too will be made available to Members at the Budget Cabinet meeting.

Risk Management

144. Numerous risks are highlighted in this report, and further comment is made below. The risks include reduced government funding, enhanced demand for Council services, delays in asset disposals. There are continuing risks surrounding the funding and employment of staff delivering housing benefits over the next few years. It will need to further prioritise its objectives and identify where it will need to make savings to balance the budget in 2019/20 and beyond.

145. Given uncertainty in the economic outlook and the continuing reductions in government funding the Council needs to preserve and enhance where possible the existing level of reserves – this report makes strong recommendations for doing so based on future funding projections. The Council also needs to ensure that it continues to invest in its people, its IT services and its commercial assets.

146. The Council seeks to identify further opportunities for contract savings, plus identify, investigate and implement efficiencies, identify income generation opportunities and ensure that potential savings are monitored and achieved.

147. 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, and reduced staffing levels also poses additional risks.

Key financial risks to the Council in future years include:-

(i) **Fair Funding Review & Business Rates retention.**

2020/21 will see the introduction of the 75% retention of business rates and the results of the fair funding review – which may or may not provide additional resources.

Business rates in the meantime continue to present real uncertainties. Volatility in income streams arising from both local and national economic pressures, the level of successful rating appeals, and the collection rates achieved

(ii) **Income Generation** (including the preservation and enhancement of existing schemes)

The Council is seeking to grow its income streams considerably. New initiatives need proper and effective governance arrangements and business cases will need to be robust. Due diligence needs to be thoroughly undertaken, often under restricted timescales, along with financial and taxation implications. The employment of the Income Generation Manager is helping the Council to identify and progress viable schemes – thus helping to reduce the risk of unbalanced budgets in future years. There remains considerable pressure on existing staff and prioritisation of work will be required.

The potential impact on the authority should things go wrong needs to be considered prior to the approval of individual schemes, along with potential exit strategies.

It also remains of critical importance that budget managers retain sufficient capacity to manage their services and the budgets delegated to them when new initiatives are being implemented. Careful monitoring and regular review of existing initiatives is also required e.g. selective licensing, social lettings agency.

(iii) **Joint working/ shared services/ contracts**. The Council had achieved significant annual savings as a result of the joint procurement exercise for waste collection and street cleaning services and also for grounds maintenance services, building control, procurement, and financial systems. It remains very important for the authority that the joint working is successful if the delivery of the savings is to be achieved.

The early termination of the waste and street cleaning contract provides uncertainty as to future costs. Re-letting of the Waste and Street Cleaning contracts, given the state of the recycling market in particular, could see the costs to the Council increase. An additional £300,000 p.a. is being included within the budget projections for planning purposes from 2019/20 onwards.

The Council does rely on external service providers, it is particularly reliant on IT and software companies. Due diligence on the award of any contracts remains critical to the effective provision of services.

(iv) **Staffing / Knowledge Management.** The loss of key staff through early retirement or redundancy, and in the short term – through illness..

(v) **Welfare Reform (Universal Credit and Council Tax Support).** There is a significant financial risk of increased Council Tax support payments being made in the year should the economy falter– the financing risk falling on the Council. The scheme approved is for a further period of one year to March 2019. The Council will consider a new scheme for 2019/20 with all the implications this has on the local community and the Council in devising the scheme. Universal Credit arrangements continue to change with more cases, and particularly the more complex cases falling on the shoulders of the Council. According to the DWP timetable the transfer of existing working age claimants to Universal Credit is still expected to be completed by 2022.

(vi) **Restructuring Costs.** In order to make savings of the magnitude required in the future, the Council will need to further reconsider what services it can provide and to what level. The continued transformation and digitalisation of services continues and further restructuring seems inevitable. 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 as part of the budget setting process in 2011/12 which has been added to when possible (balance at 31 March 2017 was £648,000). The intention will be to meet any additional redundancy costs from either the existing 2018/19 provision or the redundancy reserve. The reserve assists in transforming the Council to a lower spending organisation in the years ahead.

(vii) **PIER savings.** The identification of new, and realisation of already identified, savings will be critical for the Council to achieve a sustainable budget in the future.

(viii) **Treasury Management** – borrowing costs, investment security and level of returns. The management of the Council's debt portfolio and its assets becomes increasingly important – especially in a rising interest rate environment.

(ix) **Potential Liabilities**

(i) The Council continues to rebut a backdated claim for mandatory rate relief in respect of NHS properties amounting to some £4.3m for a period of 6 years. If the claim were ever to be accepted the ongoing loss of revenue would amount to an estimated £776,000 p.a. of which Hastings would pick up 40% (£310,000 p.a.). The Council's share of the £4.3m would amount to some £1.7m (40%). This claim would now be higher given the period that has now elapsed since receiving the claim. The Local Government Association are coordinating support i.e. providing Counsel's advice on behalf of the hundred plus local authorities potentially affected. In the meantime the minimum level of Reserves that the Council has needs to be maintained.

(ii) Cliffs – Whilst a further £100,000 has been allocated from the renewal and repairs reserve for additional works, further costs could arise once further clearance and repair work is undertaken.

(x) **The Economy.** The economic and financial uncertainty surrounding Brexit will be a major risk for some years. The Council relies upon its income streams to provide services. Inflationary pressures have real implications for the Council given the continued reductions in funding.

(xi) **New Legislation** – changes in the Housing Act, changes in the waste directive on recycling targets for example are all likely to impact on the Council's activities over the next four years.

Economic/ Financial Implications

148. The report supports the alignment of corporate priorities with available resources, produces a robust and balanced budget for 2018/19 (albeit with significant use of reserves). There are a number of projects forthcoming within the capital programme to assist the continuation of the regeneration of Hastings.

149. The financial implications in 2018/19 and beyond are detailed in the report. However, significant further action by the Council will be required to produce a sustainable budget beyond 2018/19 and this may result in more job losses.

150. The economic regeneration of the town remains a key priority for the Council. The ability to work with partners to help stimulate the local economy continues but will be seriously reduced in the future with the reductions in our funding. However in the short term the Council established some limited reserves for economic development and for community safety as a means of ensuring the Council can continue to make a contribution to the regeneration of the town over the next few years. These are being used to support the budget in 2018/19 and beyond.

151. The continued reduction in government funding and public sector jobs along with the reduction in the Council's spending power could have a negative effect on the local economy.

Organisational Consequences

152. The Council has limited available reserves and has an ambitious corporate plan. To stand a chance of achieving a sustainable budget in the future, priorities must be reassessed and staff must be directed, at least temporarily towards those areas that will generate significant income or significantly reduce costs. There will inevitably be consequences from time to time as this process continues given the substantial savings the Council is required to make. The Council seeks to minimise the impact wherever possible through redeployment and voluntary severance.

Anti-Poverty

153. The Council took the decision to retain the Council Tax Support scheme in its existing form in December 2017 and hence help protect some of the more vulnerable households in the community.

Equalities and Community Cohesiveness

154. An assessment of equality impacts is set out in Appendix K2 and will be considered as part of the consultation process.

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

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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	Yes
Local People's Views	Yes
Anti-Poverty	Yes

Additional Information

The Appendices and supporting documents are also available from the Council's website under the heading of Hastings Borough Council budget
http://www.hastings.gov.uk/decisions_democracy/transparency/budgets_finance/

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Budget - DRAFT

2018-2019

Management Edition

Financial Services
www.hastings.gov.uk

Appendices to Budget Report

Contents:

REVENUE BUDGET SUMMARY

Appendix A

	2017-2018 Original Budget £	2017-2018 Revised Budget £	2018-2019 Estimate Budget £
Directorates			
Corporate Resources	2,692,710	**2,688,490**	**1,244,970**
Operational Services	11,802,367	**12,400,050**	**11,055,900**
Direct Service Expenditure	14,495,077	**15,088,540**	**12,300,870**
Contingency Provision (incl. R&R Reserve)	400,000	**29,410**	**500,000**
Total Service Expenditure	14,895,077	**15,117,950**	**12,800,870**
Provision for the Repayment of Principal (MRP)	831,669	**785,000**	**1,116,000**
Net Interest (Earnings) / Payments	232,753	**642,884**	**1,189,955**
Total Expenditure	**15,959,499**	**16,545,834**	**15,106,825**
Amount to be met from Grant and Collection Fund			
Government Grant - Revenue Support Grant	(2,038,000)	**(2,038,000)**	**(1,542,094)**
New Homes Bonus	(1,008,963)	**(1,008,963)**	**(649,559)**
New Homes Bonus Return Funding	(8,670)	**(8,670)**	**(8,670)**
NNDR (Surplus) / Deficit	236,693	**236,693**	**63,396**
Council Tax (Surplus) / Deficit	(232,205)	**(232,205)**	**(125,899)**
Housing Benefit Administration Grant	(460,841)	**(460,841)**	**(420,606)**
Council Tax Support Admin Grant	(178,467)	**(178,405)**	**(166,913)**
Transition Grant	(5,466)	**(5,466)**	**0**
Business Rates	(2,997,209)	**(3,052,382)**	**(2,756,880)**
Business Rates - Pooling	0	**0**	**(57,589)**
Business Rates - Section 31 Grant	(723,998)	**(900,715)**	**(1,113,725)**
Council Tax	(6,282,031)	**(6,282,031)**	**(6,595,167)**
Total Funding	(13,699,157)	**(13,930,985)**	**(13,373,705)**
Funding deficit / (surplus)	2,260,342	**2,614,849**	**1,733,120**
<u>Reserve movements</u>			
Contributions to Capital from Grant and Revenue (Appendix B)	0	**0**	**0**
Contributions to Reserves (e.g. R&R)	971,099	**1,016,570**	**1,071,784**
Use of Earmarked Reserves (see Appendix H)	(2,676,496)	**(3,197,500)**	**(1,766,012)**
Net Contribution to/(from) Reserves	(1,705,397)	**(2,180,930)**	**(694,228)**
<u>Use of Reserves to fund Deficit</u>			
Transfer from Transition Reserve	(354,945)	**(433,919)**	**(838,892)**
Transfer to/(from)Specific Reserve	(200,000)	**0**	**(200,000)**
Total	(554,945)	**(433,919)**	**(1,038,892)**
General Fund Movement	(0)	(0)	(0)
Net Council Expenditure	14,254,102	14,364,904	14,412,597

COUNCIL TAX

2017-2018 Total £	2017-2018 Band D £		2018-2019 Total £	2018-2019 Band D £	Increase %
13,699,157		Budget requirement	13,373,705		
(2,038,000)		Revenue Support Grant	(1,542,094)		
(178,467)		Council Tax Administration Support Grant	(166,913)		
(1,008,963)		New Homes Bonus	(649,559)		
4,488		Collection Fund (Surplus) / Deficit	(62,503)		
(1,198,975)		Other non-ring fenced grants	(1,600,590)		
(2,997,209)		Retained Business Rates	(2,756,880)		
6,282,031	**250.33**	**Borough Council Tax**	**6,595,167**	**257.81**	2.99%
32,983,864	1,314.36	County Council Precept	35,638,540	1,393.11	5.99%
2,218,398	88.40	Fire Authority Precept	2,327,962	91.00	2.94%
3,862,371	153.91	Police and Crime Commissioner Precept	4,244,310	165.91	7.80%
45,346,664	**1,807.00**	**Total Council Tax**	**48,805,978**	**1,907.83**	5.58%
	25,095.00	**Council Taxbase at Band D**		**25,582.00**	

TABLE OF COUNCIL TAX BANDS AND AMOUNTS :

2017-2018 Amount	*Band and Value **	*Relationship to Band D*	*East Sussex C.C.*	*Police and Crime Commissioner*	*East Sussex Fire Authority*	*Hastings B.C.*		Total Amount
£1,204.67	A - up to £40,000	6 / 9	**£928.74**	**£110.61**	**£60.67**	**£171.87**	**£**	**1,271.89**
£1,405.45	B - £40,001 up to £52,000	7 / 9	**£1,083.53**	**£129.04**	**£70.78**	**£200.52**	**£**	**1,483.87**
£1,606.23	C - £52,001 up to £68,000	8 / 9	**£1,238.32**	**£147.48**	**£80.89**	**£229.16**	**£**	**1,695.85**
£1,807.00	D - £68,001 up to £88,000	-	**£1,393.11**	**£165.91**	**£91.00**	**£257.81**	**£**	**1,907.83**
£2,208.55	E - £88,001 up to £120,000	11 / 9	**£1,702.69**	**£202.78**	**£111.22**	**£315.10**	**£**	**2,331.79**
£2,610.11	F - £120,001 up to £160,000	13 / 9	**£2,012.27**	**£239.65**	**£131.44**	**£372.39**	**£**	**2,755.75**
£3,011.67	G - £160,001 up to £320,000	15 / 9	**£2,321.85**	**£276.52**	**£151.67**	**£429.68**	**£**	**3,179.72**
£3,614.00	H - over £320,000	18 / 9	**£2,786.22**	**£331.82**	**£182.00**	**£515.62**	**£**	**3,815.66**
43,141	Number of properties on Council Tax Banding List							43,141
£25,095	Each £1 of Council Tax at Band D will raise						£	25,582

Appendix A (continued)

1. BUSINESS RATES BASELINE

	Budget 2017-18 Amount £	Revised Budget 2017-18 Amount £	Budget 2018-19 Amount £
NNDR Income			
Gross rateable value	62,971,867	62,697,362	62,697,362
Small business multiplier	46.6	46.6	48.0
Gross rates receivable	29,344,890	29,216,971	30,094,734
Reliefs and allowances for bad debt and appeals	(8,387,381)	(8,484,191)	(9,030,653)
Net rates less losses	20,957,509	20,732,780	21,064,081
Cost of Collection allowance	(133,508)	(133,508)	(131,620)
NNDR Income	20,824,001	20,599,272	20,932,461
Hastings BC Share (40%)	**8,329,600**	**8,239,709**	**8,372,984**
Tariff Calculation			
Business Rates Baseline for HBC	8,810,215	8,810,215	9,175,012
DCLG calculation of baseline funding level	3,566,924	3,566,924	3,674,085
Tariff	**5,243,291**	**5,243,291**	**5,500,927**
Levy calculation			
Total income	8,329,600	8,239,709	8,372,984
Add proportion of small business relief	659,301	629,627	882,205
Add reliefs attracting Section 31 grant	(486)	8,733	150,176
Adjusted income	8,988,415	8,878,069	9,405,365
Less Tariff	(5,243,291)	(5,243,291)	(5,500,927)
	3,745,124	3,634,778	3,904,438
Baseline funding level	(3,566,924)	(3,566,924)	(3,674,085)
Growth	178,200	67,854	230,353
Levy payable (50% of growth)	**89,100**	**33,927**	**115,177**
Pooling income (50% of levy)	**0**	**0**	**(57,589)**
Safety Net calculation			
Baseline funding level	3,566,924	3,566,924	3,674,085
Threshold (92.5% of baseline funding level)	3,299,405	3,299,405	3,398,529
Adjusted income less Tariff	3,745,124	3,634,778	3,904,438
Difference	445,719	335,373	505,909
Safety Net receivable	**0**	**0**	**0**
Business Rates Collection			
Business Rates precept	8,329,600	8,329,600	8,372,984
Tariff	(5,243,291)	(5,243,291)	(5,500,927)
Levy	(89,100)	(33,927)	(115,177)
Safety Net	0	0	0
Net Business Rates collection	**2,997,209**	**3,052,382**	**2,756,880**

2. COLLECTION FUND

	2017-18 Original Budget £	2017-2018 Revised Budget £	2018-2019 Estimate Budget £
Council Tax (Surplus)/ Deficit	(232,205)	(232,205)	(125,899)
Non Domestic Rates (Surplus)/ Deficit	236,693	236,693	63,396
Total Collection Fund (Surplus)/ Deficit	**4,488**	**4,488**	**(62,503)**

INTEREST, MINIMUM REVENUE PROVISION & CONTRIBUTIONS TO RESERVES

Appendix B

	2017-18 Original Budget £000's	2017-18 Revised Budget £000's	2018-19 Estimated Outturn £000's
Net Interest Payments	**233**	**643**	**1,190**
Contributions to Reserves	**971**	**1,017**	**1,072**
Minimum Revenue Provision (Statutory provision for principal repayment arising from borrowing requirement)	**832**	**785**	**1,116**
Total	**2,036**	**2,445**	**3,378**
Interest	**£000's**	**£000's**	**£000's**
Gross Interest Payable	**974**	**1,022**	**1,655**
Gross Interest Received	**(187)**	**(292)**	**(395)**
Income and expenditure in relation to investment properties	**(535)**	**(68)**	**(70)**
Fees	**0**		
Other charges	**(19)**	**(19)**	**0**
	233	**643**	**1,190**
Contributions to Capital Spend from Reserves	**£000's**	**£000's**	**£000's**
Disabled Facilities Grant	**0**	**0**	**0**
	0	**0**	**0**
Contributions to Reserves	**£000's**	**£000's**	**£000's**
IT Reserve	**214**	**218**	**214**
Government Grant Reserve	**213**	**84**	**109**
Section 106 Reserve	**0**	**0**	**0**
Transfer to Reserves re: LAMS	**3**	**3**	**0**
Transfer to Specific Reserve re: Selective Licensing	**33**	**202**	**130**
Transfer to Specific Reserve re: Housing Licensing		**2**	**110**
R&R General	**420**	**420**	**420**
R&R White Rock Theatre	**80**	**80**	**80**
R&R re: New Vehicles	**8**	**8**	**8**
	971	**1,017**	**1,072**
Transfers to/ between Reserves	**£000's**	**£000's**	**£000's**
Transfer from General Reserve to IT Reserve	**0**	**0**	**0**
Transfer to Transition Reserve from Capital Reserve	**0**	**0**	**0**
Transfer to Transition Reserve from General Reserve	**0**	**0**	**0**
Transfer between General Reserve to Community Housing Reserve		**244**	**0**
General Reserve	**0**	**0**	**0**
Invest to Save and Efficiency Reserve	**0**	**0**	**0**
	0	**244**	**0**
Total Income and Transfers	**971**	**1,261**	**1,072**

REVENUE BUDGET VARIATION ANALYSIS **Appendix C**

	2017-2018		2018-2019	
	£'000	£'000	£'000	£'000
Original 2017/18 Budget		14,495		14,495
Inflation				
Pay & Prices		0		513
Income Variations				
Energy Initiatives	0		(150)	
Flexible Support Funding Grant	(18)		10	
Fraud and Error Reduction Incentive Scheme	(26)		0	
Rents - New Properties	(992)		(1,745)	
Cemetery and Crematorium Income	15		0	
Bulky Waste Collections	(6)		(6)	
Additional Parking Income	(200)		(200)	
Development Control	(62)		(30)	
Land Charges	30		18	
Flexible Housing Support Grant	(15)		(5)	
New CCG Funding	123		(1,047)	
Selective/ HMO Licensing schemes	(171)		(267)	
Syrian Resettlement Scheme (External Funding)	130		98	
Social Lettings	8		41	
Coastal Communities Fund	(35)		(15)	
FLAG - new funding	(14)		(14)	
Seafood & Wine	8		(11)	
Net Shops	3		3	
Cliff Railways	9		(7)	
Chalets - Delayed Installation	23		(7)	
Licensing (Gambling)	3		3	
Fees and Charges	68		28	
Fixed Penalty Notices	(9)		3	
		(1,129)		(3,298)
Budget Reductions				
Staff Turnover Savings	(103)		(14)	
Coastal Protection	(13)		(13)	
Navigational Aids	(6)		(6)	
Reduction in unfunded pension costs	(9)		(9)	
Water Monitoring Costs	(3)		(19)	
Recovery of tiem spent on Housing Company	(13)		(50)	
PIER savings (appendix K)	(25)		(24)	
		(170)		(134)
Growth & Commitments				
Finance staffing	(31)		65	
Digital By Design Saving achieved in other codes	61		61	
Pier closure legal fees 2017-18 only	100		0	
Provisions	1,063		(4)	
Housing Benefit Payments	0		50	
ERP Project	15		20	
Surveyors / Porofessional Fees in relation to acquisitions	171		6	
Elections Reprofiling (local in 2018-19)	9		100	
Pension Revaluation	0		51	
Purchase of new tablets for members	1		17	
Additional Staffing	47		74	
IT Systems	24		(10)	
Community Housing Grant	241		(3)	
Local Land Charges	30		5	
Homelessness Increase in Accomodation Costs	44		147	
Cultural Development	5		10	
Planning Policy	111		86	
Tourist Information Centre	10		11	
White Rock Development Project	24		(55)	
Chalets	20		6	
White Rock Theatre	5		21	
Museum - Resilience Fund	20		(5)	
Sports Centres	(18)		13	
Cleaning Contract	58		13	
		2,041		756
Previous years unspent budgets carried forward into 2017/18		182		(1)
Other Minor Changes		36		60
Internal Recharges		0		0
Invest to save funded items		(47)		53
R&R Reserve funded items		85		(112)
IT Reserve		(30)		27
Severence Reserve		(325)		0
Grant - IER		(22)		(10)
S106 Reserve		(28)		(28)
Parking Investment Reserve		(40)		0
Foreshore Trust Recharges		(9)		(9)
Opening Doors Reserve		27		9
Street Games Reserve		(3)		(16)
Sport For All Reserve		10		1
Active Hastings Reserve		14		(5)
TOTAL - Net Additional/ (Reduced) Council Expenditure		594		(2,194)

CAPITAL PROGRAMME SUMMARY

		Capital Costs						Revenue Costs					
		2017/18 Original £'000	2017/18 Revised £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	Total over Prog Period £,000	2017/18 Original £'000	2017/18 Revised £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	Full Year £,000
Net cost by Service													
Corporate Resources		500	9,584	20,907			30,491	(139)	(256)	(422)	(621)	(621)	(621)
Operational Services		1,618	3,561	7,784	7,210	5,623	24,178	52	89	78	162	468	613
		2,118	**13,145**	**28,691**	**7,210**	**5,623**	**54,669**	**(87)**	**(167)**	**(344)**	**(459)**	**(153)**	**(8)**
Net cost by Status													
Committed Schemes	c	1,841	11,390	1,145	210	123	12,868	(100)	(200)	(115)	(86)	(71)	(77)
Uncommitted Schemes	u	277	70	250			320	13	4	18	30	30	30
New Schemes	n		1,685	27,296	7,000	5,500	41,481		29	(247)	(403)	(112)	39
		2,118	**13,145**	**28,691**	**7,210**	**5,623**	**54,669**	**(87)**	**(167)**	**(344)**	**(459)**	**(153)**	**(8)**
Gross cost of schemes analysed by service													
Corporate Resources		500	10,004	20,952			30,956						
Operational Services		5,295	7,023	11,986	8,767	7,162	34,938						
Appendix E		**5,795**	**17,027**	**32,938**	**8,767**	**7,162**	**65,894**						

CAPITAL PROGRAMME FINANCING STATEMENT

Appendix E

	2017/18	2017/18 Revised	2018/19	2019/20	2020/21	Total over life of Programme
	£'000	£'000	£'000	£'000	£'000	£'000
Spending						
Capital Spending						
Total Gross Spend	5,795	17,027	32,938	8,767	7,162	65,894
Assumed Slippage	0	0	0	0	0	0
Funding from other HBC sources	0	138	48	7	12	205
Capital Grants and Contributions Received	(3,677)	(3,882)	(4,247)	(1,557)	(1,539)	(11,225)
Capital Requirement	**2,118**	**13,283**	**28,739**	**7,217**	**5,635**	**54,874**
Financing available						
New Capital receipts in year	3,772	790	4,965	50	50	5,855
Bfwd Capital Receipts	5	5	0	3,710	3,634	
Total	3,777	795	4,965	3,760	3,684	13,205
Finance Used						
Capital Reserve / Revenue/R&R reserve	307	311	324	56	12	703
Capital Receipts used from asset sales	936	790	1,255	126	88	2,259
Capital receipts from prior years		5		35	35	75
Total Financing available from internal resources	**1,243**	**1,106**	**1,579**	**217**	**135**	**3,037**
Remaining Financing Requirement	**875**	**12,177**	**27,160**	**7,000**	**5,500**	**51,837**

Government Grant Reserves

Appendix F

Cost Centre	Description	Holding account	Balance b/f 1 April 2017 £ 000's	Income & Transfers £ 000's	Expenditure & Transfers £ 000's	Balance c/f 31 March 2018 £ 000's	Income & Transfers £ 000's	Expenditure & Transfers £ 000's	Balance c/f 31 March 2019 £ 000's
1055	DCE-Revenues Division	X394	(332)		24	(308)		50	(258)
1054	New Burdens	X896	(10)			(10)			(10)
1985	Coastal Change Pathfinders	X396	(25)	0	0	(25)	0	0	(25)
1988	FLAG	X407	(16)	0	0	(16)	0	0	(16)
4137	Land Auction Pilot	X409	(67)	0	67	0	0	0	0
6657	Active Hastings	X094	(15)		15	0	0	0	0
6666	PCT play grant	X376	(1)		1	0	0	0	0
6651	Street Games	X065	(20)		2	(18)	0	0	(18)
6675	Sports for All	X550	(6)		6	0	0	0	0
6508	Countryside Stewardship	X321	(36)	0	0	(36)	0	0	(36)
6640	Opening Doors - Sport England	X551	(38)	0	27	(11)	0	11	0
	Total		**(566)**	**0**	**142**	**(424)**	**0**	**61**	**(363)**

Revenue Budget Forward Plan

Appendix G

Ref	Revenue Budget Forward Plan	2017-18 Revised Budget £000's	2018-19 Budget £000's	2019-20 Projection £000's	2020-21 Projection £000's	2021-22 Projection £000's
1	**Net Service Expenditure**	**15,089**	**12,301**	**12,647**	**13,000**	**13,360**
2	**Funding Commitments:-**					
3	Pension Fund - Employers increase			54	54	54
4	Election Costs (bi-annually)			(90)		(90)
5	Waste and Street Cleaning Contract			225	300	300
6	**Savings/Additional Income Identified**					
7	PIER savings (Apx K budget book -net)			(888)	(1,190)	(1,099)
8	Fees and Charges			(60)	(120)	(180)
9	Contingency Provision	29	500	400	400	400
10	Interest (net of Fees) & other Adjustments	643	1,190	1,190	1,190	1,190
11	Minimum Revenue Provision (excl. Inc Gen Adj)	785	1,116	1,116	1,116	1,116
12	Contribution to Reserves	1,017	1,072	1,072	1,072	1,072
13	Net Use of Earmarked Reserves	(3,198)	(1,766)	(1,766)	(1,766)	(1,766)
14	**Net Council Expenditure**	**14,365**	**14,413**	**13,899**	**14,055**	**14,357**
15	Taxbase	25,095	25,582	25,710	25,838	25,968
16	Council Tax	250.33	257.81	262.97	268.23	273.60
	Funding					
17	From Collection Fund - Council Tax	(6,282)	(6,595)	(6,761)	(6,931)	(7,105)
18	From Collection Fund - Business Rates	(3,052)	(2,757)	(2,757)	(2,757)	(2,757)
19	Revenue Support Grant	(2,038)	(1,542)	(988)	(438)	0
20	New Homes Bonus	(1,009)	(650)	(630)	(348)	(442)
21	New Homes Bonus return funding	(9)	(9)	(9)	(9)	(9)
22	Council Tax Support Admin Grant	(178)	(167)	(154)	(144)	(134)
23	Housing Benefit Admin Grant	(460)	(421)	(389)	(360)	(333)
24	Transition Grant	(6)				
25	NNDR (Surplus) / Deficit	237	63			
26	NNDR Pooling		(58)	(58)	(58)	(58)
27	Business Rates Section 31 Grant	(901)	(1,114)	(1,117)	(1,117)	(1,117)
28	Council Tax Surplus	(232)	(126)	0	0	0
29	**Contribution To General Fund**	**(13,931)**	**(13,374)**	**(12,863)**	**(12,161)**	**(11,954)**
30	**Funding Shortfall / (Surplus)**	**434**	**1,039**	**1,036**	**1,894**	**2,402**
31	**Use of General Reserve**	0				
32	**Use of Transition Reserve**	(434)	(839)	(836)	(91)	
33	**Use of Resilience and Stability Reserve**					
34	**Use of Community Safety Reserve**		(100)	(100)	(100)	(50)
35	**Use of Economic Development Reserve**		(100)	(100)	(100)	(100)
36	**Net Funding Shortfall / (Surplus)**	**0**	**0**	**0**	**1,603**	**2,252**

RESERVES

Appendix H

		2017 / 18				2018 / 19		
	Account Code (hide for final)	Balance at 1 April 2017 £'000	Income & Transfers £'000	Expenditure & Transfers £'000	**Balance at 31 Mar 2018 £'000**	Income & Transfers £'000	Expenditure & Transfers £'000	**Balance at 31 Mar 2019 £'000**
General Reserve	V163	(7,644)	(258)	244	**(7,658)**	0	0	**(7,658)**
Capital Reserve	V160	(637)	0	124	**(513)**	0	70	**(443)**
Earmarked Reserves		0						
Renewal and Repairs Reserve	V162	(1,748)	(508)	764	**(1,492)**	(508)	872	**(1,128)**
Risk Management Reserve	V175	(330)	0	20	**(310)**	0	20	**(290)**
Information Technology Reserve	V168	(186)	(218)	254	**(150)**	(214)	311	**(53)**
On-Street Car Parking Surplus Reserve	V172	(48)	0	0	**(48)**	0	40	**(8)**
s106 Reserve	X191	(542)	0	138	**(404)**	0	92	**(312)**
VAT Reserve	V150	(257)	0	50	**(207)**	0	207	**0**
Government Grant Reserve	Appendix F	(566)	0	142	**(424)**	0	61	**(363)**
Monuments in Perpetuity	V140	(48)	0	5	**(43)**	0	5	**(38)**
Ore Valley Reserve	V194	(250)	0	0	**(250)**	0	0	**(250)**
Mortgage reserve (LAMS)	X410	(148)	(3)	0	**(151)**	0	0	**(151)**
Resilience and Stability Reserve	X428	(600)	0	0	**(600)**	0	0	**(600)**
Transition Reserve	V152	(2,222)	0	434	**(1,788)**	0	839	**(949)**
Redundancy Reserve	V159	(648)	0	0	**(648)**	0	225	**(423)**
Community Safety Reserve	V158	(350)	0	0	**(350)**	0	100	**(250)**
Economic Development Reserve	V157	(501)	0	0	**(501)**	0	100	**(401)**
Registration of Electors - IER Grant	X552	(19)	0	0	**(19)**	0	0	**(19)**
Safer Hastings Partnership	X424	(43)	0	0	**(43)**	0	0	**(43)**
Disabled Facilities Grant	X553	(431)	(1,698)	1,155	**(974)**	(1,544)	1,500	**(1,018)**
Bathing Water Project	X426	(32)	0	32	**0**	0	0	**0**
First World War Project	X427	(17)	0	1	**(16)**	0	0	**(16)**
Coastal Communities Grant Reserve	X429	(10)	0	10	**0**	0	0	**0**
Invest to Save and Efficiency Reserve	X431	(778)	0	276	**(502)**	0	174	**(328)**
Clinical Commissioning Group	X432	(1,264)	0	1,163	**(101)**	0	0	**(101)**
Carry-forward Reserve	X190	(271)	0	271	**(0)**	0	0	**(0)**
Selective Licensing Reserve		0	(202)	149	**(53)**	(130)	0	**(183)**
Revenue Hardship Fund	X434	(80)	0	0	**(80)**	0	0	**(80)**
Syrian Refugee Resettlement Programme		(36)	(84)	0	**(119)**	(109)	0	**(229)**
Housing Licensing Reserve		0	(2)	0	**(2)**	(110)	0	**(112)**
Community Housing Fund	X392	0	(244)	244	**(0)**	0	0	**(0)**
		(19,706)	(3,217)	5,477	(17,446)	(2,615)	4,615	(15,446)

EXPENDITURE FUNDED BY USE OF RESERVES
(expenditure & transfers) / Income & transfers

	Cost Centre	2017-18 Original £	2017-18 Revised £	2018-19 Estimate £
General Reserve				
General reserve Saving to/(Use of)		0		
		0		0
Total		0	0	0
Transfers between Reserves				
Selective Licensing Reserve to General Reserve		32,645	149,426	
Bathing Water Reserve Transfer to General Reserve		0	31,830	0
Coastal Communities Grant Reserve to General Reserve			9,794	
General Reserve to Community Housing Fund			244,098	
Government Grant Reserve to General Reserve			67,000	
		32,645	502,147	0
Carry forward Reserve				
Carried forward			(271,000)	
		0	(271,000)	0
Capital Reserve				
2016 - 950th Anniversary (£330k in total over 3 years)		0	(64,000)	0
Various Capital Expenditure to be Financed				
CPO - Empty Homes Strategy -capital		(70,000)	(60,000)	(70,000)
		(70,000)	(124,000)	(70,000)
Disabled Facilities Grant				
Disabled Facilities Grant - Salaries		(60,000)	(60,000)	(60,000)
Disabled Facilities Grant - Capital		(1,000,000)	(1,095,000)	(1,440,000)
		(1,060,000)	(1,155,000)	(1,500,000)
VAT reserve				
Castle Capital Scheme		(237,000)	(50,000)	(207,000)
		(237,000)	(50,000)	(207,000)
		£	£	£
Economic Development Reserve				
General Fund (17/18)		(100,000)	0	(100,000)
		(100,000)	0	(100,000)
Community Safety Reserve				
General Fund		(100,000)	0	(100,000)
		(100,000)	0	(100,000)
Renewal & Repairs Reserve				
(per programme of works - Appendix J)		(626,500)	(735,070)	(626,500)
Capital		0	0	(45,280)
Vehicles		0	0	0
Contingency		(100,000)	(29,410)	(200,000)
		(726,500)	(764,480)	(871,780)
Transition Reserve				
Transfer to General Fund		(354,945)	(433,919)	(838,892)
Resilience and Stability Reserve		0	0	0
Information Technology Reserve				
(per programme of works - Appendix I)		(284,000)	(253,750)	(310,750)
		(284,000)	(253,750)	(310,750)
Invest to Save & Efficiency Reserve				
Transfer to General Fund		(178,170)	(275,790)	(173,662)
Transfer to Capital Reserve				
		(178,170)	(275,790)	(173,662)
Redundancy Reserve				
Transfer to General Fund		(225,000)	0	(225,000)
		(225,000)	0	(225,000)

Earmarked Reserves	Cost Centre	2017-18 Original £	2017-18 Revised £	2018-19 Estimate £
Government Grant Reserve				
capital				
(further details - Appendix F)	various	(58,770)	(75,000)	(61,000)
		(58,770)	(75,000)	(61,000)
Monuments in Perpetuity				
capital				
Revenue	3102	(5,000)	(5,000)	(5,000)
		(5,000)	(5,000)	(5,000)
s106 Reserve				
Capital			(138,000)	(48,000)
Revenue	various	(16,000)		(44,100)
		(16,000)	(138,000)	(92,100)
On-Street Car Parking Surplus Reserve				
Bus Shelter improvements	1501	0		0
Havelock Road Crossing	1504	(40,000)		(40,000)
		(40,000)	0	(40,000)
Risk Management Reserve				
Risk Management Schemes	5299	(20,000)	(20,000)	(20,000)
		(20,000)	(20,000)	(20,000)
Registration of Electors				
IER Grant		(18,600)		
		(18,600)	0	0
Clinical Commissioning Group				
Housing NHS CCG		(1,040,956)	(1,163,480)	0
Lets Get Moving		0		
		(1,040,956)	(1,163,480)	0
First World War Reserve		(3,500)	(1,000)	
		(3,500)	(1,000)	0
Community Housing Fund				
Housing Administration			(244,000)	0
		0	(244,000)	0
Total use of earmarked and capital reserves *		(4,538,441)	(4,974,419)	(4,615,184)
Revenue use of earmarked reserves		(2,676,496)	(3,197,500)	(1,766,012)
Transfers between Reserves		(32,645)	(502,147)	0
Capital use of earmarked reserves		(1,307,000)	(1,343,000)	(1,810,280)
Transition Reserve and Com / Econ Reserve		(554,945)	(433,919)	(1,038,892)
Total Expenditure & Transfers (Excl General Reserve Use)		(4,571,086)	(5,476,566)	(4,615,184)

INFORMATION TECHNOLOGY RESERVE Appendix I

	2017-18 Original £'000	2017-18 Revised £'000	2018-19 ESTIMATE £'000	2019-20 ESTIMATE £'000	2020-21 ESTIMATE £'000
OPENING BALANCE :					
BALANCE B/FWD. AT 1 APRIL	**(186)**	**(186)**	**(150)**	**(53)**	**(29)**
EXPENDITURE :					
VIRTUALISATION (SERVER REFRESH)					
AGGRESSO UPGRADE					
GOVCONNECT	9	9	9	9	9
MICROSOFT LICENSING FOR TEST ENVIRONMENT			15		
RESILIENCE IMPROVMENTS		9.75	9.75	9.75	9.75
ANTI VIRUS				25	
SCANNING AND ARCHIVING PHASE 2	20		20		
PLANNING SYSTEM EDRMS UPGRADES					
KACE SYSTEMS MANAGEMENT SERVER		5			
EMAIL ARCHIVING	20		20		
SERVICE REVIEW EFFICIENCY PROJECTS	80		80	80	80
PC HARDWARE AND SOFTWARE	115	115	115	115	115
MICROSOFT SERVER LICENSING					
JD PROJECT MANAGEMENT					
AH REFURBISHMENT	25				
ROOM BOOKING SYTEM					
SERVER ROOM ELECTRICS					
TERMINAL SERVER FARM REFRESH	15		15		
EXCHANGE SERVER REFRESH			15		
TWO FACTOR AUTHENTICATION REFRESH			12		
STORAGE AREA NETWORK REFRESH		70			
LEGAL CASE MANAGEMENT SYSTEM		10			
WIRELESS NETWORK		25			
DISK BASED BACKUP		10			
	284	**254**	**311**	**239**	**214**
INCOME :					
CONTRIBUTIONS TO RESERVE - FROM GENERAL FUND	**(214)**	**(214)**	**(214)**	**(214)**	**(214)**
ADDITONAL CONTRIBUTIONS TO RESERVE - FROM GENERAL FUND		**(4)**			
CLOSING BALANCE :					
BALANCE IN-HAND C/FWD. AT 31 MARCH	**(116)**	**(150)**	**(53)**	**(29)**	**(29)**

RENEWAL AND REPAIRS RESERVE **APPENDIX J**

2016-17 Actual £		2017-18 ORIGINAL BUDGET £	2017-18 REVISED BUDGET £	2018-19 ESTIMATED BUDGET £
	OPENING BALANCE:			
1,853,643	BALANCE BROUGHT FORWARD	**1,470,023**	**1,748,438**	**1,491,958**
	INCOME:			
508,000	CONTRIBUTIONS TO RESERVE - GENERAL	**508,000**	**508,000**	**508,000**
508,000		**508,000**	**508,000**	**508,000**
	EXPENDITURE:			
613,205	PROGRAMMED REPAIRS AND REDECORATIONS	**213,500**	**217,160**	**213,500**
	OTHER REPAIRS & RENEWALS	**413,000**	**517,910**	**413,000**
613,205	SUB TOTAL	**626,500**	**735,070**	**626,500**
0	CAPITAL EXPENDITURE FUNDED FROM RESERVES	**0**	**0**	**45,280**
0	VEHICLES	**0**	**0**	**0**
0	PROVISION FOR UNEXPECTED ITEMS	**100,000**	**29,410**	**200,000**
613,205		**726,500**	**764,480**	**871,780**
	CLOSING BALANCE:			
1,748,438	BALANCE CARRIED FORWARD	**1,251,523**	**1,491,958**	**1,128,178**

	PROGRAMMED REPAIRS AND REDECORATIONS FINANCED BY THE RENEWAL AND REPAIRS RESERVE						**Appendix J (con't)**
			2017-2018	**2017-2018**	**2018-2019**	**2019-2020**	**2020-2021**
Cost Centre	**PROPERTY**	**DESCRIPTION OF WORK**	**ORIGINAL BUDGET PLUS C/F**	**REVISED BUDGET**	**ESTIMATE**	**ESTIMATE**	**ESTIMATE**
						£	£
1151	TOWN HALL	Internal / External redecs & repairs	30,000	30,000	30,000	20,000	30,000
1160	ALL BUILDINGS - ASBESTOS	Asbestos surveys and re-inspections	2,000	2,000	2,000	2,000	2,000
1160	ALL BUILDINGS - ASBESTOS	Works arising out of asbestos inspections	1,000	1,000	1,000	1,000	1,000
1160	ALL BUILDINGS - FIRE RISK	Fire risk assessments & works arising	6,000	6,000	12,000	6,000	6,000
1160	ALL BUILDINGS - AIR CONDITIONING	AC energy efficiency certification (every 3 years)	4,000	4,000	4,000	4,000	4,000
1160	ALL BUILDINGS - ENERGY CERTIFICATION	Annual Display Energy Certs for major bldgs	1,000	1,000	1,000	1,000	1,000
1160	ALL BUILDINGS - LEGIONELLA RISK	Automated checks & monitoring inc hygiene assess	39,000	39,000	25,000	30,000	40,000
1160	ALL BUILDINGS - ELECTRICAL TESTING	routine cyclical testing & works arising	6,000	6,000	9,000	6,000	6,000
1160	ALL BUILDINGS - SAFETY ANCHORS	Annual testing of access safety anchors	2,000	2,000	2,500	2,000	2,000
1160	ALL BUILDINGS - AUTOMATIC DOORS	Annual maintenance routine	500	500	500	500	500
2404	BANK BUILDINGS	External redecs to rear elevation	0	0	2,000	0	0
2201	MICRO UNIT FACTORIES	External redecs	0	0	0	0	5,000
2201	FACTORY UNITS	External redecs/roof repairs to empty units	30,000	30,000	30,000	30,000	30,000
2404	FAIRLIGHT PLACE FARM COTTAGES	External redecs.	4,000	0	8,000		
2404	OTHER BUILDINGS (ESTATES MISC.)	Essential upgrades/repairs.	10,000	10,000	10,000	10,000	10,000
2502	WEST HILL CLIFF RAILWAYS	Redecorations & repairs	5,000	5,000	5,000	5,000	5,000

PROGRAMMED REPAIRS AND REDECORATIONS FINANCED BY THE RENEWAL AND REPAIRS RESERVE **Appendix J (con't)**

Cost Centre	PROPERTY	DESCRIPTION OF WORK	2017-2018 ORIGINAL BUDGET PLUS C/F	2017-2018 REVISED BUDGET	2018-2019 ESTIMATE	2019-2020 ESTIMATE	2020-2021 ESTIMATE
						£	£
2502	EAST HILL CLIFF RAILWAYS	Redecorations & repairs	5,000	5,000	5,000	5,000	5,000
2640	FALAISE SPORTS CENTRE	External redecorations.	0	0	0	25,000	0
3102	CREMATORIUM	Internal / External redecorations.	3,000	5,000	0		
3102	CREMATORIUM - CREMATORS	Rebricking / rehearthing of cremators	10,000	10,000	0	20,000	10,000
3102	CEMETERY	Path health & safety repairs	8,000	8,780	8,000	8,000	8,000
6301	PARKS	Path health & safety repairs	12,000	12,000	12,000	12,000	12,000
5241	FRONT LINE	Concrete health & safety inspection & testing	6,000	6,000	6,000	6,000	6,000
5241	FRONT LINE	Concrete health & safety repair works	10,000	10,000	5,000	5,000	5,000
5241	FRONT LINE	Alcoves, seating, bottle alley - repairs/redecs	9,000	9,000	9,000	9,000	900
6005	FISHERMENS MUSEUM	External redecs/stonework pointing	0	0	0	2,000	0
6100	SUMMERFIELDS SPORTS CENTRE	External redecs	0	0	0	0	6,000
6301	SPORTS PAVILIONS	Int/ext redecs.	10,000	10,000	8,000	10,000	10,000
6301	ALEXANDRA PARK RAILINGS	Phased railing redecorations	5,000	4,880	5,000	5,000	5,000
6301	ST. LEONARDS GARDENS	Lodge - re-decorations	0	0	10,000	0	0
6503	HASTINGS COUNTRY PARK -OPERATIONAL BUILDINGS	Int/ext redecs.	0	0	2,000	0	0
5257	HASTINGS STATION - FISHING BOAT FEATURE	Repairs / redecs	0	0	2,000	0	2,000
5257	TOWN CENTRE UNDERPASS	Decoration	0	0	0	0	2,000
	Total of Programmed work		**218,500**	**217,160**	**214,000**	**224,500**	**214,400**

OTHER REPAIRS AND REDECORATIONS FINANCED BY THE RENEWAL AND REPAIRS RESERVE

Appendix J (con't)

Cost Centre	Reference	PROPERTY	DESCRIPTION OF WORK	2017-2018 ORIGINAL BUDGET plus CF £	2017-2018 REVISED BUDGET	2018-2019 ESTIMATE	2019-2020 ESTIMATE £	2020-2021 ESTIMATE £
1300	OR307	CARLISLE CP	Redecorations	75,000	75,000	35,000	0	0
2201	OR304	THEAKLEN DRIVE ROOFS	Roof re-coating	0	0	0	50,000	0
2502	OR247	EAST HILL LIFT LOWER STATION	Roof replacement	0	0	0	30,000	0
2601	OR250	WHITE ROCK THEATRE	General repair contributions	20,000	20,000	20,000	20,000	20,000
2601	OR251	WHITE ROCK THEATRE	Automation of stage flying system	0	0	0	0	100,000
6301	OR231	CLIFF REPAIR SURVEY	Bi-annual or Sextennial survey	0	0	8,000	0	8,000
6503	OR211	HASTINGS COUNTRY PARK - TACKLEWAY	Health & safety repairs and repointing	0	0	0	1,000	1,000
6301	OR320	RECREATIONAL GROUNDS	Emergency lighting upgrade	4,000	0	0	4,000	0
6100	OR326	INDOOR BOWLS CENTRE	DDA works	0	0	50,000	0	0
6100	OR	INDOOR BOWLS CENTRE	Recovering of bowling green roof coverings	0	0	0	0	200,000
6301	OR327	ROCK A NORE CLIFFS	Rock a Nore Cliff Works	15,000	15,000	0	0	0
5236	OR328	STREET LIGHTS	White Rock Promenade Improvements	14,500	14,500	0	0	0
6100	OR331	SUMMERFIELDS LEISURE CENTRE	Landlord obligation - progressive replacement of existing swimming pool filtration plant	3,000	3,000	0	0	0
6100	f	SUMMERFIELDS LEISURE CENTRE	Installation of UV water hygiene treatment, if req'd and justified by FL due to alterations to regulations.	0	0	0	5000	0
2640		FALAISE FITNESS CENTRE	Improvements to ventilation of gymnasium	15,000	0	30,000	0	0
6000	OR334	JOHNS PLACE MUSEUM	Essential stoneworks repairs - Phase1	16,600	29,000	0	10000	0
3102	OR335	CEMETERY AND CREMATORIUM OFFICES	Exterior stonework repairs	10,000	10,000	0	0	0
2404	OR336	3 PLACE FARM COTTAGES, FAIRLIGHT	Energy efficiency improvements	8,000	0	8,000	0	0
6100	OR337	INDOOR BOWLS CENTRE	External Works (Ramp and Entrance Lobby)	30,000	0	5,000	0	0

OTHER REPAIRS AND REDECORATIONS FINANCED BY THE RENEWAL AND REPAIRS RESERVE **Appendix J (con't)**

Cost Centre	Reference	PROPERTY	DESCRIPTION OF WORK	2017-2018 ORIGINAL BUDGET plus CF £	2017-2018 REVISED BUDGET	2018-2019 ESTIMATE	2019-2020 ESTIMATE £	2020-2021 ESTIMATE £
6301	OR339	CLIFFS	Cliff Repairs arising from engineer's inspections	178,750	200,000	125,000	20,000	20,000
1157	OR340	MURIEL MATTERS HOUSE REPLACEMENT RISING MAIN	Replacement of existing rising main in rear of building to avoid further flooding issues	10,000	20,000	0	0	0
1157	OR341	MURIEL MATTERS HOUSE - HEATING CONTROLS	Control unit £20k plus £10k for valves etc.	30,000	30,000	0	0	0
1157	OR342	MURIEL MATTERS HOUSE - PASSENGER LIFTS	Heavy duty door closing mechanisms	0	0	0	5,000	0
6301	OR343	WHITE ROCK GARDENS - SHED DEMOLITION	Removal of redundant unsafe and easily accessible former irrigation room.	7,000	5,090	0	0	0
2502	OR344	WEST HILL LIFT - RETAINING WALL REPAIRS	Repairs to bulging brickwork retaining wall to east of rails	7,000	2,000	5,000	0	0
2502	OR345	WEST HILL LIFT OLD MOTOR ROOM - STRUCTURAL REPAIRS	Provision of permanent support works to café floor and external area.	20,000	0	2,000	18,000	0
6503	OR346	HCP PATHS WEST SIDE	Resurfacing of existing using Fibredec	17,000	20,000	0	0	0
2502	OR347	WEST HILL LIFT - ATTENDANT'S & STORE AREAS	Works to patio waterproofing prevent water ingress	0	0	0	18,000	0
5241	OR348	PROMENADE SURFACING	Further tarmac repairs to worst areas	10,000	10,000	10,000	20,000	20,000
6301	OR349	ALEX PARK HARMERS LAYBY	Tarmac surface (spend to save)	7,000	7,000	0	0	0
6301	OR350	REPAIRS TO COUNCIL OWNED WALLS	Wall repairs	0	0	0	35,000	0
6301	OR352	ALEX PARK BUCKSHOLE RESERVOIR	Repairs out of 10yr survey, possibly building up channel sides. Impact of dam breaching and other study.	20,000	0	25,000	0	0
6301	OR354	PRICILLA McBEAN SANDSTONE WALLING	Repoint walling	0	0	3,000	0	0
6301	OR357	ALEX PARK PEACE GARDEN	Tarmac path & resin bond surface	6,000	6,730	0	0	0
6301	OR358	SANDHURST RECREATION GROUND	Replace roadside fencing	0	0	8,000	0	0
6301	OR359	WARTLING CLOSE BRIDGE	Replace bridge railings	22,000	22,000	0	0	0
6301	OR360	ALEX PARK HARMERS RESERVOIR OUTFALL	Remove or cap disused outfall tower, fill tunnel and wing walls to make safe.	0	0	25,000	0	0
6503	OR361	HCP ECCLESBOURNE VEHICLE ACCESS	Construct retaining wall and infill path to prevent erosion and loss of access route.	0	0	0	20,000	0
6503	OR362	HCP PLACE FARM FARM YARD	Roadway resurfacing of farmyard	0	0	0	20,000	0
2502	OR363	EAST HILL LIFT LANDSCAPING	Re-landscape and lay new pathway.	0	0	0	0	30,000
6301	OR364	BEXHILL REC WEST	Internal redecoration	0	0	0	0	10,000

		OTHER REPAIRS AND REDECORATIONS FINANCED BY THE RENEWAL AND REPAIRS RESERVE						**Appendix J (con't)**
				2017-2018	**2017-2018**	**2018-2019**	**2019-2020**	**2020-2021**
Cost Centre	**Reference**	**PROPERTY**	**DESCRIPTION OF WORK**	**ORIGINAL BUDGET plus CF**	**REVISED BUDGET**	**ESTIMATE**	**ESTIMATE**	**ESTIMATE**
				£			**£**	**£**
1157	OR365	MURIEL MATTERS HOUSE	Lightning Protection	0	0	25,000	0	0
6000		JOHNS PLACE MUSEUM	Interior works to extension rooflight	0	0	4,000	0	0
6301		ST LEONARDS GARDENS	Possible remedial works to sewer / drain	0	10,000	0	0	0
2404		ESTATES - EPC UPGRADES	Town Hall Offices, Old Town Hall and Ore Valley Adventure Playground	0	13,000	0	0	0
1300		CASTLE HILL CAR PARK	Health and Safety Works	0	5,590	0	0	0
6301		SUMMERFIELDS WALLED GARDEN	Contribution to wall repairs	0	0	27,000	0	0
6000		HASTINGS MUSEUM - PUBLIC LIFTS	Replace lift hydraulic ram	0	0	8,000	0	0
6000		HASTINGS MUSEUM - LIGHTINIG	Provide LED lighitng	0	0	0	40,000	0
3102		CEM & CREM CHAPEL WINDOWS	Repair stonework and lead glazing	0	0	0	20,000	0
1151		TOWN HALL LED LIGHTING	Provide new LED lighting	0	0	0	0	30,000
2502		WEST HILL LIFT - WEST HILL ARCADE GDN	Brickworks repairs	0	0	12,000	0	0
2502		WEST HILL LIFT - ENTRANCE ROOF	Replace railings with galv. steel railings	0	0	0	5,000	0
1300		CARLISLE PARADE UGCP - OLD SEA WALL	Remove paint from stonework	0	0	0	20,000	0
2404		ESTATES - EPC UPGRADES	Alex Pk Depot work shop, office	0	0	0	15,000	0
2404		ESTATES - FALAISE HALL - EPC UPGRADE	Groundsmen mess room	0	0	0	4,000	0
5241		FORESHORE - FORMER LIFEGUARD STORE	Concrete repairs to prom slab	0	0	0	20,000	0
2404		ESTATES - INDUSTRIAL ESTATE SIGNAGE	Renew road and welcome signs	0	0	0	5,000	0
1300		PRIORY STREET MSCP	Structural Survey / Concrete Testing	0	0	20,000	0	0
		Total of Other Work		**545,850**	**517,910**	**455,000**	**405,000**	**439,000**

PIER Outcomes **Appendix K**

	Cost centre	Account	Revised 2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000
Cross cutting						
IT - Access East Sussex Licensing			(9)	(9)	(9)	(9)
Digital by Design - Paper & printing costs	various			(46)	(46)	(46)
Total Cross Cutting			(9)	(55)	(55)	(55)
Income Strategy						
Property Fund (CCLA)			(80)	(80)	(80)	(80)
Commercial Property (Net of borrowing Costs)			(92)	(373)	(570)	(576)
Housing Company (net contribution)			(20)	(60)	(147)	(200)
Energy (Net of borrowing Costs)			0	(80)	(280)	(540)
Total Income Strategy			(192)	(593)	(1,077)	(1,396)
Other						
Council Tax - Empty Homes premium (200%)	Collection Fund				(10)	(10)
Resort Services Man & Admin		1075	(22)	(21)	(21)	(21)
Civic and Ceremonial		5507		(1)	(1)	(1)
Meteorological Service		5237		(2)	(2)	(2)
Community Awarenes		5705		(4)	(4)	(4)
Twinning/ Sierra Leone		5720		(1)	(1)	(1)
Raising the Profile - Hastings Week		5722		(1)	(1)	(1)
Raising the Profile - Hasings Carnival		5724		(1)	(1)	(1)
Raising the Profile - Trolley Bus		5727		(2)	(2)	(2)
Raising the Profile - Town Crier		5728		(2)	(2)	(2)
Raising the Profile - Achievers Awards (End)		5730		(1)	(1)	(1)
Raising the Profile - Events - Bonfire Society (-10%)		5725		(0)	(0)	(0)
Cultural Development - Coastal Currents		1945		(20)	(20)	(20)
Theatre - Reduced Contribution		2601		0	(120)	(170)
Community Partnership Fund		5120		0	(12)	(20)
PIER Savings/Income			**(223)**	**(704)**	**(1,330)**	**(1,707)**
Growth Items						
Planning Policy		1603		61	61	61
Homelessness		4000/4138		156	156	156
Waste and Street Cleaning Costs					225	300
Total Growth			**-**	**217**	**442**	**517**
Net Overall Savings	**Total**		**(223)**	**(487)**	**(888)**	**(1,190)**

Hastings Borough Council Efficiencies, Income, and Savings Proposals for 2018/19 onwards and equality impact assessment

	Efficiency, Income or Savings Proposals & Changes for 2016/17	Savings			Likelihood of negative impact on equalities/protected characteristics Low-Medium-High
		2018/19	2019/20	2020/21	
ICT	Reduction in access East Sussex Licensing, dedicated network link no longer required. **Staffing implications: N/A**	9,000	9,000	9,000	**Low** – unlikely to impact disproportionately on any equality groups.
Digital by Design	Paper and print reduction savings from implementation of new digital first-print last approach supported by new SharePoint, new Multi-functional devices (MFDs), new virtual mail room contract and a change in culture: i.e. 'doing it differently'. **Staffing implications: N/A**	46,000	46,000	46,000	**Low** unlikely to impact disproportionately on any equality groups.
Property fund (CCLA)	Income earned from investments made in external property fund **Staffing implications: N/A**	80,000	80,000	80,000	**Low** unlikely to impact disproportionately on any equality groups.
Commercial property	Income earned from investments in commercial property (net of borrowing costs) **Staffing implications: N/A**	373,000	570,000	576,000	**Low** unlikely to impact disproportionately on any equality groups.
Housing company	Net contribution from Housing Company investment **Staffing implications: N/A**	60,000	147,000	200,000	**Low** unlikely to impact disproportionately on any equality groups.
Energy	Income earned from investment in energy projects (net of borrowing costs) **Staffing implications: N/A**	80,000	280,000	540,000	**Low** unlikely to impact disproportionately on any equality groups.
Council Tax	Empty homes premium (100% increase, is now 200%) **Staffing implications: N/A**	-	10,000	10,000	**Low** unlikely to impact disproportionately on any equality groups.

Resorts services	Management and administration savings following deletion of Resorts Services manager post in 2017 **Staffing implications: N/A**	21,000	21,000	21,000	**Low** unlikely to impact disproportionately on any equality groups.
Civic and ceremonial	Reducing transport costs **Staffing implications: N/A**	1,000	1,000	1,000	**Low** unlikely to impact disproportionately on any equality groups.
Meteorological service	Paid volunteer coordinator post not replaced, mileage paid to volunteers **Staffing implications: N/A**	2,000	2,000	2,000	**Low** unlikely to impact disproportionately on any equality groups.
Community Awareness	25% reduction in budget used for advertising of local events – use alternative methods **Staffing implications: N/A**	4,000	4,000	4,000	**Low** unlikely to impact disproportionately on any equality groups.
Twinning/Sierra Leone	Reduce £3k budget for Sierra Leone twinning **Staffing implications: N/A**	1,000	1,000	1,000	**Low** unlikely to impact disproportionately on any equality groups.
Raising the Profile	Savings across a number of budgets: Hastings week (£1k) Hastings carnival (£1k) Trolley Bus (£2k) Town Crier (£2k) Achievers Award (£1k) Bonfire (£300) **Staffing implications: N/A**	6,000	6,000	6,000	**Low** unlikely to impact disproportionately on any equality groups.
Cultural development – Coastal Currents	As agreed by Council in last year's budget, a final year of pump priming funding was given in 2017/18 to enable the event to become self-financing. **Staffing implications: N/A**	20,000	20,000	20,000	**Low** unlikely to impact disproportionately on any equality groups.
White Rock Theatre	Reduced contribution following Cabinet decision to negotiate terms for the extension of the current contract with HQ Theatres & Hospitality for a period of 5 years **Staffing implications: N/A**	-	120,000	170,000	**Low** unlikely to impact disproportionately on any equality groups.

Community Partnership Fund	Services have been commissioned for 2017/18 and 2018/19 – there are no further reductions proposed to this budget for 2018/19. **Staffing implications: N/A**	0	12,000	20,000	**N/A** – decision was made last year following a detailed review and services have been commissioned for a two-year period (2017/18 and 20181/9)
Total savings/income		**704,000**	**1,330,000**	**1,707,000**	

Growth items

Planning policy	Studies, resources and work required for White Rock Area and Town Centre Area Action Plan, including examination in public and Strategic Flood Risk Assessment **Staffing implications**: Increased by 1.3 FTE 1FTE funded by external funding and 0.3FTE (growth) to reinstate to a FTE senior planner.	61,000	61,000	61,000
Homelessness	Increased costs of temporary accommodation anticipated to meet demand	156,000	156,000	156,000
Waste and street cleansing	Additional costs anticipated following re-procurement of waste and street cleansing services from June 2019	-	225,000	300,000

Appendix L

Land and Property Disposal Programme

	Estimated Receipts £
2017/18	
Upper Wilting Farm	
Stable Flat	
Other	
Less cost of disposal	
Sale of Ex Council Houses	
	790,040
2018/19	
Mayfield E	
Former Bathing Pool site	
Harrow Lane Playing Fields	
Land r/o Bexhill Road	
Land North of Bexhill Rd	
Land at Sandrock	
Less cost of disposal	
Sale of Ex Council Houses	
Other	
	4,965,200
2019/20	
Sale of Ex Council Houses	
Other	
	50,000
2020/21	
Sale of Ex Council Houses	
Other	
	50,000

Appendix M

Council Tax – Overall

The Council is recommended to resolve as follows:

1 It be noted that the Council has calculated the Council Tax Base 2018/19 for the whole Council area as 25,582 [Item T in the formula is Section 31B of the Local Government Finance Act 1992, as amended (the "Act")]

2 Calculate that the Council Tax requirement for the Council's own purposes for 2018/19 is £6,595,167

3 That the following amounts be calculated for the year 2018/19 in accordance with Sections 31 to 36 of the Act:

(a)	82,535,118	Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils
(b)	75,939,951	Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act
(c)	6,595,167	Being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31B of the Act)
(d)	257.81	Being the amount at 3(c) above (Item R), all divided by Item T (1(a) above), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year
(e)	£0	Being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act
(f)	257.81	Being the amount at 3(d) above less the result given by dividing the amount at 3(e) above by Item T (1(a) above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish precept relates

4. To note that the County Council, the Police and Crime Commissioner and the Fire Authority have issued precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area as indicated in the table below.

5. That the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts shown in the tables below as the amounts of Council Tax for 2018/19 for each part of its area and for each of the categories of dwellings.

	Valuation Bands							
	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Hastings Borough Council	171.87	200.52	229.16	257.81	315.10	372.39	429.68	515.62
East Sussex County Council (Including Adult Social Care +3%)	928.74	1,083.53	1,238.32	1,393.11	1,702.69	2,012.27	2,321.85	2,786.22
East Sussex Fire Authority	60.67	70.78	80.89	91.00	111.22	131.44	151.67	182.00
Police and Crime Commissioner	110.61	129.04	147.48	165.91	202.78	239.65	276.52	331.82
Aggregate of Council Tax Requirements	1,271.89	1,483.87	1,695.85	1,907.83	2,331.79	2,755.75	3,179.72	3,815.66

6. The Council's basic amount of Council Tax for 2018/19 is not excessive as determined in accordance with principles approved under Section 52ZB Local Government Finance Act 1992. To be deemed excessive the Borough's Council Tax would need to be increased by 3%, or more than 3%, and also more than £5 in 2018/19.

CORPORATE SERVICES AND GOVERNANCE **Appendix O**

Reference NO.	2016-17 ACTUAL	SERVICE	2017-18 ORIGINAL BUDGET	2017-18 REVISED BUDGET	**2018-19 ESTIMATED OUTTURN**
	£	**SUMMARY OF REVENUE ESTIMATES**	**£**	**£**	**£**
CR1	171,096	1023 - Director of Corporate Services and Governance	171,560	171,680	**174,880**
CR2	327,217	1024 - Corp. Policy, Partnerships and Performance	348,140	329,760	**340,150**
CR3	195,336	1031 - Electoral Services	195,900	202,960	**208,030**
CR4	346,747	1022 - Estates Services	341,860	353,970	**354,380**
CR5	205,171	1029 - Building Surveyors	204,670	206,650	**212,260**
CR6	388,072	1032 - Legal Services	382,230	431,560	**376,230**
CR7	234,601	1051 / 1058 - Audit and Investigations Services	212,140	212,530	**219,990**
CR8	817,888	1052 - Accountancy Services	785,310	828,150	**945,870**
CR9	2,541,934	1054 / 1055 - Revenues Services	2,502,840	2,411,350	**2,576,590**
CR10	602,333	1020 - People, Customer and Business Support	608,560	603,190	**618,330**
CR11	153,239	1090 - Corporate Personnel Expenses	202,560	202,190	**203,210**
CR12	860,247	5712 - Contact Centre	895,580	871,790	**891,630**
CR13	248,084	1085 - Transformation Team	162,350	272,990	**258,030**
CR14	111,436	1151 - Admin Buildings - Town Hall	53,440	53,310	**51,430**
CR15	426,647	1157 - Admin Buildings - Murial Matters House	424,400	471,620	**466,420**
CR16	100,806	1160 - Admin Buildings - General Expenses	100,500	98,440	**77,960**
CR17	43,940	1169 - Admin Buildings - Corporate Archive	47,420	47,460	**48,110**
CR18	1,162,678	1080 - Corporate Expenses	1,187,440	1,180,840	**1,261,460**
CR19	705,656	1034 - IT	706,910	712,490	**752,600**
CR20	336,517	5228 - IT Reserve / Hardware	374,980	345,480	**407,580**
CR21	39,757	5227 - Land & Property Systems-GIS	40,290	40,440	**41,530**
	(10,019,403)	Less recharges to other services	(9,949,080)	(10,048,850)	**(10,486,670)**
	0	Unallocated Balance	0	0	**0**
CR22	701,391	5510 - Corporate Management Expenses	725,910	1,896,120	**773,800**
CR23	430,408	5511 - Non Distributed Costs	670,540	662,050	**713,280**
CR24	1,426,499	4200 / 4250 / 5900 - Benefit Payments and Administration	1,469,180	1,409,990	**1,569,200**
CR25	713,464	5950 - Council Tax and Business Rates Collection	529,900	499,090	**557,820**
CR26	(344,730)	2101 - Employment Areas	(346,130)	(352,800)	**(347,480)**
CR27	(1,210,328)	2201 - Factory Units	(1,173,400)	(1,244,980)	**(1,263,690)**
CR28	(1,180,835)	2404 - Farms and Other Properties	(1,052,070)	(1,826,840)	**(2,718,380)**
CR29	26,422	2602 - St Mary in the Castle	26,570	26,610	**26,740**
CR30	69,359	5299 - Other Expenditure	522,630	130,900	**614,220**
CR31	192,652	1200 - 1205 - Registration of Electors	208,150	190,510	**205,330**
CR32	840,364	5501 - Cost of Democracy	829,300	841,380	**871,350**
CR33	184,448	5503 / 5504 / 5505 - Election Expenses	115,210	127,380	**221,360**
CR34	25,652	5224 - Local Strategic Partnership	27,260	25,820	**26,630**
CR35	21,735	3405 - Sustainable Energy & Development	23,910	40,780	**(126,570)**
CR36	8,540	5513 - Public Consultation	9,090	8,610	**8,880**
CR37	155,807	5004 - Pier Closure Costs	0	100,000	**0**
CR38	21,591	1501 - Shelters and Seats	19,030	23,900	**19,100**
CR39	11,653	1502 - Street Naming and Numbering	8,220	8,210	**8,210**
CR40	66,687	5236 - Decorative Lighting	79,410	106,640	**64,990**
CR41	0	5514 - Corporate Systems ERP	0	15,000	**20,000**
CR42	0	1946 / 1983 / 1989 / 5289-96 / 6668 - Foreshore Trust	0	120	**180**
	2,160,781		2,692,710	2,688,490	**1,244,970**

Reference NO.	2016-17 ACTUAL	SERVICE	2017-18 ORIGINAL BUDGET	2017-18 REVISED BUDGET	**2018-19 ESTIMATED OUTTURN**
	£	**SUMMARY OF REVENUE ESTIMATES**	**£**	**£**	**£**
OS1	703,765	1009 - Environmental Services Management & Administration	631,500	634,800	**642,520**
OS2	409,518	1071 - Amenities Administration	397,410	411,950	**420,950**
OS3	950,702	1074 - Waste and Parking Team	890,070	904,790	**938,380**
OS4	670,076	1072 - Administration - Housing	875,260	1,138,500	**918,620**
OS5	121,452	1005 - Local Land Planning Management & Admin	130,270	129,750	**134,840**
OS6	186,011	1015 - Director of Operational Services	181,140	180,450	**184,400**
OS7	241,146	1070 - Leisure Administration	234,710	248,190	**253,850**
OS8	230,269	1075 - Resort Services Management and Administration	179,770	160,010	**169,900**
OS9	319,620	1021 - Regeneration Administration Division	309,120	321,310	**333,940**
OS10	511,815	1025 - Communications & Marketing	443,030	450,240	**467,020**
	(4,344,374)	Less recharges to other services	(4,272,280)	(4,579,990)	**(4,464,420)**
	0	Unallocated Balance	0	0	**0**
OS11	60,341	1008 - Building Control	53,340	54,410	**54,520**
OS12	919,854	1600 - Development Control & 1607 Conservation	931,930	908,300	**941,320**
OS13	(254,319)	5211 - Local Land Charges Register	(235,789)	(178,870)	**(212,950)**
OS14	512,533	4000 - Homelessness & 4138 Preventing Repossessions	443,030	518,170	**604,000**
OS15	182,594	4001 - Homelessness Prevention	204,790	213,100	**213,880**
OS16	(45,563)	4002 - Rough Sleeper Prevention	0	45,560	**0**
OS17	(35,778)	4004 - Syrian Resettlement Programme	(213,054)	(80,170)	**(108,884)**
OS18	(34,785)	4025 - Social Lettings	(45,550)	(34,690)	**(2,320)**
OS19	122,713	4050 - Homelessness Strategy	148,060	164,390	**161,320**
OS20	55,148	4120 - Housing Register	65,980	86,240	**72,260**
OS21	61,235	4051 - Deposits funded by ESCC	18,700	23,200	**23,200**
OS22	25,290	4055 - Youth Homelessness	20,660	29,080	**26,820**
OS23	5,200	4057 - Anti Poverty	5,200	0	**0**
OS24	42,000	4060 - POAL Officer	0	0	**0**
OS25	374,590	4140 - Housing Renewal	409,015	453,770	**423,520**
OS26	43,155	4143 - Rogue landlords	0	0	**0**
OS27	(54,216)	4158 - Selective licensing	(32,645)	(182,660)	**(126,870)**
OS28	71,269	4160 - Housing Licensing	0	(2,000)	**(150,270)**
OS29	(413,636)	4130 - Housing Solution Services	20,580	32,220	**29,400**
OS30	27,861	4300 - Coastal Space Enforcement Activities	11,270	14,740	**11,820**
OS31	3,515	5001 - Dangerous Structures	2,500	2,500	**2,500**
OS32	5,463	1953 - Coastal Local economic Partnership (LEP)	4,650	4,650	**4,650**
OS33	402,340	4045 - Housing - NHS Clinical Commissioning Group CCG	1,040,956	1,123,900	**0**
OS34	26,115	4183 - Sustainable Housing in Inclusive Neighbourhoods	30,670	41,210	**33,300**
OS35	14,328	4185 - Climate Active Neighbourhoods	12,670	17,980	**13,630**
	2,117,247	**Housing and Built Environment**	2,896,963	3,255,030	**2,014,846**

Reference NO.	2016-17 ACTUAL	SERVICE	2017-18 ORIGINAL BUDGET	2017-18 REVISED BUDGET	**2018-19 ESTIMATED OUTTURN**
	£	**SUMMARY OF REVENUE ESTIMATES**	£	£	£
OS36	492,804	1900, 1904 Regeneration Activity	474,090	502,710	**436,830**
OS37	255,919	1603 - Planning Policy	295,580	408,430	**393,420**
OS38	201,193	1922 - Cultural Activities	140,110	142,020	**143,640**
OS39	196,103	1945 - Cultural Development	82,720	88,510	**95,180**
OS40	127,669	1934 - External Funding Initiatives	88,920	91,320	**90,770**
OS41	54,109	1980 - Community Cohesion	53,580	53,750	**54,600**
OS42	(2,892)	1988 - Fisheries Local Action Group (FLAG)	0	(13,890)	**(9,210)**
OS43	0	1998 - Coastal Communities Fund	0	(35,000)	**(15,000)**
OS44	35,409	1999 - Employability	0	0	**0**
OS45	(214)	2020 - Talent Match	0	0	**0**
OS46	401	2030 - Sea Escapes - CCF III Coastal Communities Fund Revenue	0	0	**0**
OS47	56	2040 - CHART CLLD - Connecting Hastings and Rother Together Community Led Local Development	(15,800)	(15,800)	**(15,800)**
OS48	304,328	5120 - Community Partnership	252,190	248,250	**249,240**
OS49	1,383	5121 - Older and Younger People	0	4,160	**0**
OS50	10,200	6006 - Youth Activities (Young Persons Council)	5,000	5,000	**5,000**
OS51	25,465	5116 - 1066 Community Grants	0	0	**0**
OS52	0	5118 - Town Centre Management (BID)	9,300	9,300	**9,300**
OS53	0	5119 - Community Development Activity	5,000	5,000	**5,000**
OS54	18,000	1995 - Image Raising Campaign Project	0	0	**0**
OS55	148,995	5701 - 1066 Country Campaign	126,010	127,850	**130,470**
OS56	106,999	5702, 5703 - Tourism Marketing	108,700	106,210	**112,990**
OS57	144,660	5714 - Tourist Information Centre	106,510	118,740	**122,860**
OS58	53,657	5705 - Community Awareness	49,870	53,340	**54,640**
OS59	13,817	5720 - Twinning / Sierra Leone	10,970	11,100	**11,410**
OS60	139,482	1962, 5719, 5721-5725, 5727-5728, 5730, 5780, 5781 Raising the Profile of Hastings	122,130	128,730	**114,320**
OS61	(178)	5731 - Norman Castles Interreg Project	0	0	**0**
OS62	3,293	5237 - Meteorological Expenses	3,920	2,250	**1,240**
OS63	61,877	5507 - Civic & Ceremonial Expenses	55,890	55,910	**57,400**
OS64	(4,553)	5740 - Filming	(4,000)	(4,000)	**(4,000)**
OS65	26,866	1400 - Coastal Protection	31,440	20,980	**21,900**
OS66	5,402	1410 - Navigational Aids	11,090	4,800	**5,010**
OS67	3,453	1608 - Env. Schemes Net Shops	10,590	13,790	**13,760**
OS68	(81,449)	2502 - Cliff Railways	(120,050)	(141,480)	**(133,510)**
OS69	(17,010)	2510 / 2512 - Castle and Caves	(30,390)	(29,080)	**(32,350)**
OS70	(155,088)	2514 - Chalets and Beach Huts	(207,720)	(166,780)	**(210,570)**
OS71	659,313	2601 - White Rock Theatre	663,510	667,010	**683,610**
OS72	145,748	5241 - Seafront	146,904	142,680	**139,044**
OS73	442,786	6000 / 6005 / 6008 / 6009 / 6016 - Museums	404,840	424,610	**412,970**
OS74	4,022	6015 - First World War Project	3,500	1,330	**0**
OS75	10,147	6150 - Sports Management	17,090	10,340	**16,770**
OS76	36,535	2640 - Falaise Fitness Centre	36,180	21,760	**52,000**
OS77	75,467	6100 - Sports Centres	53,980	37,160	**68,120**
OS78	8,439	6409 - William Parker Athletic Track	8,330	8,560	**8,660**
OS79	(608)	6640 - Opening Doors	0	27,350	**11,040**
OS80	89,007	6650 - Sports Development	80,810	84,550	**86,050**
OS81	25,310	6651 - Street Games	15,510	12,630	**0**
OS82	(3,912)	6675 - Sports for All	0	10,140	**0**
OS83	79,755	6657 - Active Hastings	63,130	77,170	**62,110**
OS84	138,064	6660 - Play Development	134,680	139,320	**141,870**
OS85	2,600	6666 - Primary Care Trust Play Grant	0	1,250	**0**
OS86	41,739	6667 - Play Pathfinder	42,340	43,050	**43,350**
OS87	(9)	6670 - Playground Projects	0	0	**0**
OS88	28,822	6641 - Lets get Moving (CCG)	0	39,580	**0**
OS89	23,031	1937 - British BID DCLG - Loan Fund (Business Improvement District)	5,250	5,250	**5,250**
	3,976,408	**Regeneration and Culture**	3,341,704	3,549,860	**3,439,384**

OPERATIONAL SERVICES **Appendix O (cont.)**

Reference NO.	2016-17 ACTUAL	SERVICE	2017-18 ORIGINAL BUDGET	2017-18 REVISED BUDGET	**2018-19 ESTIMATED OUTTURN**
	£	**SUMMARY OF REVENUE ESTIMATES**	£	£	**£**
OS90	319,588	3401 - Food Safety	300,190	309,160	**309,390**
OS91	131,537	3402 / 3404 - Health and Safety	124,770	124,040	**125,090**
OS92	315,400	3403 - Environmental Protection	322,050	325,620	**340,130**
OS93	54,371	3407 - Pest Control	56,260	53,070	**54,620**
OS94	(51,023)	5100 - Local Licensing	(56,290)	(59,910)	**(55,990)**
OS95	4,521	5105 - Liquor Licensing	480	(8,150)	**(2,790)**
OS96	21,092	5106 - Gambling Licensing	13,330	11,780	**14,560**
OS97	48,128	5125 - Stray Dog Contract	45,640	46,210	**46,380**
OS98	60,027	5223 - Emergency Planning	58,560	61,450	**59,910**
OS99	(562,082)	1300 / 1350 - Parking	(487,990)	(567,130)	**(581,420)**
OS100	229,262	1370 - Closed Circuit Television	235,630	235,880	**239,760**
OS101	1,146	1506 - ESCC Highway Tree Maintenance	(3,000)	(3,000)	**(3,000)**
OS102	0	1504 - Public Realm	40,000	0	**40,000**
OS103	1,008,916	3303 - Waste Collection	1,076,820	1,077,350	**1,117,820**
OS104	218,736	3410 - Recycling	231,200	231,740	**245,910**
OS105	1,323,307	3313 - Street Cleansing	1,261,410	1,274,590	**1,310,550**
OS106	(47,116)	3411 - Greenwaste	(58,350)	(54,610)	**(49,740)**
OS107	424,047	3412 - Waste and Environmental Enforcement Team	422,260	414,220	**441,750**
OS108	36,686	5205 - Together Action	33,600	38,610	**34,260**
OS109	120,557	5214 - Safer Hastings Partnership (HBC)	125,600	120,260	**133,510**
OS110	(2,832)	5219 - Safer Hastings Partnership (External)	0	0	**0**
OS111	0	5226 - CS Domestic Violence (CCG)	0	0	**0**
OS112	30,003	1420 - Watercourses	32,300	32,330	**33,070**
OS113	(459,307)	3102 / 3103 - Cemetery and Crematorium	(517,590)	(476,880)	**(545,230)**
OS114	22,416	5140 - Travellers Costs	21,850	22,020	**22,120**
OS115	49,732	5257 - Town Centre	47,490	48,240	**51,090**
OS116	18,634	5280 - Allotments	14,300	15,120	**7,870**
OS117	49,547	5281 - Ecology	57,060	52,430	**53,300**
OS118	147,029	6200 - Arboriculture	140,970	141,170	**142,300**
OS119	1,542,024	6301 - Parks and Gardens	1,656,640	1,706,600	**1,648,730**
OS120	111,226	1355 / 6503 - Hastings Country Park	97,650	104,190	**85,350**
OS121	9,263	6508 - Countryside Stewardship	16,000	16,000	**16,000**
OS122	364,128	3033 - Public Conveniences	254,860	302,760	**266,370**
	5,538,963	**Environment and Place**	5,563,700	5,595,160	**5,601,670**
	11,632,618	**Operational Services Directorate Total**	**11,802,367**	**12,400,050**	**11,055,900**

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Appendix P

CAPITAL PROGRAMME SUMMARY

	Capital						Revenue					
	2017/18 Original £'000	**2017/18 Revised £'000**	**2018/19 £'000**	**2019/20 £'000**	**2020/21 £'000**	**Total over Budget Period £'000**	**2017/18 Original £'000**	**2017/18 Revised £'000**	**2018/19 £'000**	**2019/20 £'000**	**2020/21 £'000**	**Full Year £'000**
Net cost by Service												
Corporate Resources	500	9,584	20,907	-	-	30,491	(139)	(256)	(422)	(621)	(621)	(621)
Operational Services	1,618	3,561	7,784	7,210	5,623	11,345	52	89	78	162	468	613
	2,118	**13,145**	**28,691**	**7,210**	**5,623**	**41,836**	(87)	(167)	(344)	(459)	(153)	(8)
Net cost by Status												
Committed Schemes	1,841	11,390	1,145	210	123	12,535	(100)	(200)	(115)	(86)	(71)	(77)
Uncommitted Schemes	277	70	250	-	-	320	13	4	18	30	30	30
New Schemes	-	1,685	27,296	7,000	5,500	28,981	0	29	-247	-403	-112	39
	2,118	**13,145**	**28,691**	**7,210**	**5,623**	**41,836**	(87)	(167)	(344)	(459)	(153)	(8)

Gross cost of schemes analysed by service

	2017/18 Original £'000	2017/18 Revised £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	Total over Budget Period £'000
Corporate Resources	500	10,004	20,952	-	-	31,456
Operational Services	5,295	7,023	11,986	8,767	7,162	40,233
	5,795	**17,027**	**32,938**	**8,767**	**7,162**	**71,689**

CORPORATE RESOURCES - CAPITAL PROGRAMME **Appendix P (cont)**

Scheme Ref.	Scheme	(*)	Class	Total Gross Cost	Total Net Cost	Before 31.3.17	2017/18	Revised 2017/18	2018/19	2019/20	2020/21	Subseq. Years
					Profile of Council Net Cost							
				£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(9)	(9)	(10)	(11)	(11)	(12)
ES04-2	Office Accommodation	*	c	716	676	676	0	0	0	0	0	0
CR-05	Ore Valley -Land Purchase	*	c	55	55	55	0	0	0	0	0	0
CR-06	Sandrock Park - Land Purchase	*	c	23	23	0	0	23	0	0	0	0
CR-08	Aquila House Refurbishment	*	c	608	608	608	0	0	0	0	0	0
CR-09	New Factory unit	*	c	1,535	1,535	1,495	0	40	0	0	0	0
CR-10	Town Hall Works	*	c	454	454	454	0	0	0	0	0	0
RP16	CPO property	*	c	0	0	0	0	0	0	0	0	0
CR-11	Aquila House Purchase	*	c	4,400	4,400	4,400	0	0	0	0	0	0
CR-12	Kiosk above Bottle Alley	*	c	90	90	60	0	30	0	0	0	0
CR-13	Factory Block Churchfields Estates	*	c	0	0	0	0	0	0	0	0	0
CR- 15	Land at West Marina	*	c	127	127	127	0	0	0	0	0	0
CR-16	New ERP system	*	c	930	465	0	500	440	25	0	0	0
CR-17	Retail Property purchase	*	c	7,707	7,707	7,707	0	0	0	0	0	0
CR-18	Land on Churchfields Estate	*	c	620	620	620	0	0	0	0	0	0
CR-19	Bexhill Road Retail Park	*	c	8,841	8,841	0	0	8,841	0	0	0	0
CR-20	Conversion of 12/13 York Buildings	*	c	682	682	0	0	25	657	0	0	0
CR-22	Priory Meadow Contribution towards Capital works	*	c	250	250	0	0	185	65	0	0	0
CR-23	Commercial Property Investments		n	20,160	20,160	0	0	0	20,160	0	0	0
	Schemes Already Committed		c	27,038	26,533	16,202	500	9,584	747	0	0	0
	Schemes Uncommitted		u	0	0	0	0	0	0	0	0	0
	New Schemes		n	20,160	20,160	0	0	0	20,160	0	0	0
Total Capital Expenditure				47,198	46,693	16,202	500	9,584	20,907	0	0	0
Revenue Costs												
	Schemes Already Committed		c				(139)	(224)	(224)	(224)	(224)	(224)
	Schemes Uncommitted		u				0	0	0	0	0	0
	New Schemes		n				0	(198)	(198)	(397)	(397)	(397)
	No further approval required	*										
Total Revenue Costs							(139)	(422)	(422)	(621)	(621)	(621)

CORPORATE RESOURCES - CAPITAL PROGRAMME

			Total Cost £'000	Before 31.3.17 £'000	17/18 £'000	Revised 17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000	Subsequent. Years £'000
ES04-2	**Office Accommodation**									
9411										
	Accommodation work not directly related to Aquila House project									
	Funding Source									
	Council		676	676		0				
	Other		40	40		0				
	Total Funding		716	716	0	0	0	0	0	0
	Revenue Costs									
	Financing Charge				**0**	**0**	**0**	**0**	**0**	**0**
	Other									
	Total Revenue Costs				0	0	0	0	0	0
CR-06	**Sandrock Park - Land Purchase**									
9594										
	The purchase of land at Sandrock Park									
	Funding Source									
	Council		23			23				
	Other		0							
	Total Funding		23	0	0	23	0	0	0	0
	Revenue Costs									
	MRP				0	0	1	1	1	1
	Interest				0	0	1	1	1	1
	Financing Charge				**0**	**2**	**3**	**3**	**3**	**3**
	Other									
	Total Revenue Costs				0	2	3	3	3	3
CR-08	**Aquila House Refurbishment**									
9410										
	Refurbishment of Aquila £450,000 also additional repair and IT works undertaken at the same time as contract to be funded by existing repair budgets etc.									
	Funding Source									
	Council	4	608	608		0				
	Other		0							
	Total Funding		608	608	0	0	0	0	0	0
	Revenue Costs									
	MRP				0	0	0	0	0	0
	Interest				25	25	25	25	25	25
	Financing Charge					**0**	**0**	**0**	**0**	**0**
	Other					(25)	(25)	(25)	(25)	(25)
	Total Revenue Costs				0	(25)	(25)	(25)	(25)	(25)
CR-09	**New Factory unit**									
9800										
	Construction of additional factory unit in Castleham									
	Funding Source									
	Council		1,535	1,495		40				
	Other		0							
	Total Funding		1,535	1,495	0	40	0	0	0	0
	Revenue Costs									
	MRP				51	51	52	52	52	52
	Interest				61	62	63	63	63	63
	Financing Charge				**112**	**113**	**115**	**115**	**115**	**115**
	Other				(40)	(40)	(40)	(40)	(40)	(40)
	Total Revenue Costs				72	73	75	75	75	75
CR-10	**Town Hall Works**									
9418										
	Adapt Town hall for partial rental									
	Funding Source									
	Council	83	454	454						
	Other		0							
	Total Funding		454	454	0	0	0	0	0	0
	Revenue Costs									
	Financing Charge				**5**	**5**	**5**	**5**	**5**	**5**
	Other				(90)	(90)	(90)	(90)	(90)	(90)
	Total Revenue Costs				(85)	(85)	(85)	(85)	(85)	(85)

		Total Cost £'000	Before 31.3.17 £'000	17/18 £'000	Revised 17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000	Subsequent. Years £'000
9407 CR-11	**Aquila House Purchase**								
	Purchase of the freehold of Aquila House								
	Funding Source								
	Council	4,400	4,400						
	Other	0							
	Total Funding	4,400	4,400	0	0	0	0	0	0
	Revenue Costs								
	Financing Charge			**251**	**251**	**251**	**251**	**251**	**251**
	Other			(279)	(279)	(279)	(279)	(279)	(279)
	Total Revenue Costs			(28)	(28)	(28)	(28)	(28)	(28)
9741 CR-12	**Kiosk above Bottle Alley**								
	Construction of circular kiosk in line with the HBC Seafront Strategy								
	Funding Source								
	Council	90	60		30				
	Other	0							
	Total Funding	90	60	0	30	0	0	0	0
	Revenue Costs								
	Financing Charge			**5**	**6**	**5**	**7**	**7**	**7**
	Other			(8)	(8)	(8)	(8)	(8)	(8)
	Total Revenue Costs			(3)	(2)	(3)	(1)	(1)	(1)
9131 CR- 15	**Land at West Marina**								
	Land at West Marina from the Hastings and St Leonards Charitable Trust								
	Funding Source								
	Council	127	127						
	Other	0							
	Total Funding	127	127	0	0	0	0	0	0
	Revenue Costs								
	Financing Charge			**8**	**8**	**8**	**8**	**8**	**8**
	Other								
	Total Revenue Costs			8	8	8	8	8	8
9450 CR-16	**New ERP system**								
	Purchase and development of new Enterprise Resource Planning system Total HBC budget £500K of which £35K revenue								
	Funding Source								
	Council	465		500	440	25			
	Other	465			420	45			
	Total Funding	930	0	500	860	70	0	0	0
	Revenue Costs								
	Financing Charge			**19**	**17**	**34**	**35**	**35**	**35**
	Other								
	Total Revenue Costs			19	17	34	35	35	35
9130 CR-17	**Retail Property purchase**								
	Purchase of Commercial property								
	Funding Source								
	Council	7,707	7,707	0	0				
	Other	0							
	Total Funding	7,707	7,707	0	0	0	0	0	0
	Revenue Costs								
	Financing Charge			**312**	**312**	**312**	**312**	**312**	**312**
	Other			(460)	(460)	(460)	(460)	(460)	(460)
	Total Revenue Costs			(148)	(148)	(148)	(148)	(148)	(148)

		Total Cost £'000	Before 31.3.17 £'000	17/18 £'000	Revised 17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000	Subsequent. Years £'000
9801 CR-18	**Land on Churchfields Estate**								
	Acquisition of Land								
	Funding Source								
	Council	620	620			0			
	Other	0							
	Total Funding	620	620	0	0	0	0	0	0
	Revenue Costs								
	Financing Charge			**26**	**26**	**26**	**26**	**26**	**26**
	Other								
	Total Revenue Costs			26	26	26	26	26	26
9132 CR-19	**Bexhill Road Retail Park**								
	Purchase of Commercial Property								
	Funding Source								
	Council	8,841	0	0	8,841	0			
	Other	0							
	Total Funding	8,841	0	0	8,841	0	0	0	0
	Revenue Costs								
	Financing Charge			**0**	**223**	**445**	**445**	**445**	**445**
	Other				(325)	(543)	(543)	(543)	(543)
	Total Revenue Costs			0	(102)	(98)	(98)	(98)	(98)
9802 CR-20	**Conversion of 12/13 York Buildings**								
	Funding Source								
	Council	682		0	25	657			
	Other	0							
	Total Funding	682	0	0	25	657	0	0	0
	Revenue Costs								
	Financing Charge			**0**	**1**	**25**	**28**	**28**	**28**
	Other					(20)	(28)	(28)	(28)
	Total Revenue Costs			0	1	5	0	0	0
9981 CR-22	**Priory Meadow Contribution to Capital Works**								
	Contribution to ensure continuing rental income								
	Funding Source								
	Council	250			185	65			
	Other	0							
	Total Funding	250	0	0	185	65	0	0	0
	Revenue Costs								
	Financing Charge			**0**	**7**	**12**	**14**	**14**	**14**
	Other								
	Total Revenue Costs			0	7	12	14	14	14
9992 CR-23	**Commercial Property Investments**								
	Acquisition of Commercial Property								
	Funding Source								
	Council	20,160				20,160			
	Other	0							
	Total Funding	20,160	0	0	0	20,160	0	0	0
	Revenue Costs								
	Financing Charge			**0**	**0**	**555**	**1,109**	**1,109**	**1,109**
	Other					(753)	(1,506)	(1,506)	(1,506)
	Total Revenue Costs			0	0	(198)	(397)	(397)	(397)

Scheme Ref.	Scheme		Class	Total Gross Cost	Total Net Cost	Before 31.3.17	Revised 2017/18	2018/19	2019/20	2020/21	Subseq. Years
					Profile of Council Net Cost						
		(*)		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(10)	(11)	(11)	(11)	(12)
H07	Private Sector Renewal Support	*	c	147	0	0	0	0	0	0	0
H08	Disabled Facilities Grant	*	c	5,655	0	0	0	0	0	0	0
H15	Empty Homes Strategy - CPO	*	c	250	250	71	60	70	49	0	0
PL01	Central St. Leonards Town Heritage Initiative 2	*	c	1,371	436	436	0	0	0	0	0
RP04	Restoration of Pelham Crescent/ Pelham Arcade	*	c	756	359	166	90	103	0	0	0
RP16	Road at Pelham Arcade	*	u	125	75	11	20	44	0	0	0
RP15	Ex Malvern Public House - matched funding	*	c	0	0	0	0	0	0	0	0
RP14	Coastal Space Regeneration Project - Phase 2	*	c	758	758	0	758	0	0	0	0
CR14	Coastal Space - Phase 3	*	c	1,376	609	0	609	0	0	0	0
	Development of Land at Ore Valley	*	c	700	0	0	0	0	0	0	0
	Energy Generation	*	n	6,000	6,000	0	0	2,000	2,000	2,000	0
	Hastings Housing Company	*	n	15,000	15,000	0	1,500	5,000	5,000	3,500	0
ES28	Castle Access/ Interpretation (£100k -15/16*)		u	350	350	94	50	206	0	0	0
RP11	Factory Refurbishment (ACE)	*	c	0	0	0	0	0	0	0	0
RP15	White Rock Baths	*	c	1,245	173	173	0	0	0	0	0
RP11	Groyne Refurbishment	*	c	110	110	0	5	35	35	35	0
ES35	Work on Harbour Arm and New Groynes	*	c	2,968	30	0	10	20	0	0	0
ES36	Further Sea Defence works	*	c	150	0	0	0	0	0	0	0
ES39	Additional Chalets	*	c	85	85	0	85	0	0	0	0
RP09	Public Realm	*	c	348	257	47	60	50	50	50	0
ES34	Bottle Alley	*	c	295	245	71	174	0	0	0	0
ES24	CCTV Control Room	*	c	462	372	363	9	0	0	0	0
ES33	Crematorium and Chapel Enhancements	*	c	0	0	0	0	0	0	0	0
ES32	Country Park -Interpretive Centre		c	504	246	74	32	140	0	0	0
ES37	Playgrounds Upgrade Programme	*	c	313	246	58	29	45	76	38	0
ES38	Playgrounds Carnoustie & Kensington Close	*	c	60	0	0	0	0	0	0	0
OS2	Sea Escapes - CCF III Coastal Communities Fund Capital	*	c	371	89	89	0	0	0	0	0
ES40	Purchase of new parking machines and boards	*	c	70	70	0	70	0	0	0	0
OS3	Coastal Communities scheme 4		n	414	0	0	0	0	0	0	0
OS4	Buckshole and Shornden Resevoirs	*	c	71	71	0	0	71	0	0	0
	Schemes Already Committed		c	17,994	4,335	1,548	1,991	463	210	123	0
	Schemes Uncommitted		u	475	425	105	70	250	0	0	0
	New Schemes		n	21,485	21,071	0	1,500	7,071	7,000	5,500	0
Total Capital Expenditure				39,954	25,831	1,653	3,561	7,784	7,210	5,623	0
Revenue Costs											
	Schemes Already Committed		c				63	121	152	167	161
	Schemes Uncommitted		u				4	18	30	30	30
	New Schemes		n				22	-61	-20	271	422
	No further approval required	*									
Total Revenue Costs							89	78	162	468	613

OPERATIONAL SERVICES - CAPITAL PROGRAMME

		Total Cost £'000	Before 31.3.17 £'000	17/18 £'000	Revised 17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000	Subseq. Years £'000
H07 9314	**Private Sector Renewal Support**								
	Property grants to bring conditions up to minimum standards.								
	Funding Source								
	Council	0							
	Regional Housing Board Grant+ LEP funding of £46K	147		70	20	50	50	27	
	Total Funding	147	0	70	20	50	50	27	0
	Revenue Costs								
	Financing Charge			**0**	**0**	**0**	**0**	**0**	**0**
	Other								
	Total Revenue Costs			0	0	0	0	0	0
H08 9308	**Disabled Facilities Grant**								
	Property Grants for Disabled Facilities Grant of £1,543K (before £60K salaries)for 2017/18 Awaiting 18/19 figures								
	Funding Source								
	Council	0							
	Government Grant including additional £155K	5,655		1,000	1,155	1,500	1,500	1,500	
	Total Funding	5,655	0	1,000	1,155	1,500	1,500	1,500	0
	Revenue Costs								
	Financing Charge			**0**	**0**	**0**	**0**	**0**	**0**
	Other								
	Total Revenue Costs			0	0	0	0	0	0
H15 9590	**Empty Homes Strategy - CPO**								
	Rolling programme of purchases and disposals								
	Funding Source								
	Council	250	71	70	60	70	49		
	Government Grant	0							
	Total Funding	250	71	70	60	70	49	0	0
	Revenue Costs								
	Financing Charge			**4**	**3**	**9**	**14**	**17**	**17**
	Other								
	Total Revenue Costs			4	3	9	14	17	17
PL01 9048	**Central St. Leonards Town Heritage Initiative 2**								
	Contributes to physical regeneration of area in one of the most deprived wards in the South East. Programme enables intervention to prevent the next generation of derelict buildings (including the Congregational Church)								
	Funding Source								
	Council	436	436		0				
	HLF lottery funds £700K;+ £24K-£8K and ERDF funding £250K.	935	935		0				
	Total Funding	1,371	1,371	0	0	0	0	0	0
	Revenue Costs								
	Financing Charge			**0**	**0**	**0**	**0**	**0**	**0**
	Other								
	Total Revenue Costs			0	0	0	0	0	0

		Total Cost £'000	Before 31.3.17 £'000	17/18 £'000	Revised 17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000	Subseq. Years £'000
RP04	**Restoration of Pelham Crescent/ Pelham Arcade**								
9558									
	Feasibility study and grants for restoration works, plus additional phase 2 works / grants to adjoining property								
	Funding Source								
	Council	359	166	150	90	103			
	Historic England(English Heritage) £280K Council reserves £117K	397	293	77	0	104			
	Total Funding	756	459	227	90	207	0	0	0
	Revenue Costs								
	Financing Charge			**7**	**5**	**13**	**18**	**18**	**18**
	Other								
	Total Revenue Costs			7	5	13	18	18	18
RP16	**Road at Pelham Arcade**								
9554									
	Road above Pelham Arcade								
	Funding Source								
	Council	75	11	40	20	44			
	Other- Freeholder Contributions	50	0	50		50			
	Total Funding	125	11	90	20	94	0	0	0
	Revenue Costs								
	Financing Charge			**2**	**1**	**4**	**6**	**6**	**6**
	Other								
	Total Revenue Costs			2	1	4	6	6	6
RP15	**Ex Malvern Public House - matched funding**								
9592									
	Original Work re curtailed acquisition and demolition of Malvern Public House - matched funding								
	Funding Source								
	Council	0	0						
	Other	0							
	Total Funding	0	0	0	0	0	0	0	0
	Revenue Costs								
	Financing Charge			**0**	**0**	**0**	**0**	**0**	**0**
	Other								
	Total Revenue Costs			0	0	0	0	0	0
RP14	**Coastal Space Regeneration Project - Phase 2**								
9601									
	Acquisition and refurbishment of dwellings in Central St Leonards, in partnership with Optivo. HBC grant funding reduced following reduction of 30 to 26 units								
	Funding Source								
	Council - Grant	758		875	758				
	Council - Loan	0							
	Other	0							
	Total Funding	758	0	875	758	0	0	0	0
	Revenue Costs								
	Financing Charge			24	21	42	42	42	42
	Other								
	Total Revenue Costs			24	21	42	42	42	42
CR14	**Coastal Space - Phase 3**								
9993									
	Acquisition and refurbishment of dwellings in Central St Leonards in partnership with Amicus Horizon								
	Funding Source								
	Council	609			609	0			
	Other S106 received re Affordable Housing	100			100	0			
	LAP contribution	667			667	0			
	Total Funding	1,376	0	0	1,376	0	0	0	0
	Revenue Costs								
	Financing Charge			0	17	34	34	34	34

	Total Cost £'000	Before 31.3.17 £'000	17/18 £'000	Revised 17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000	Subseq. Years £'000
Other								
Total Revenue Costs			0	17	34	34	34	34

		Total Cost £'000	Before 31.3.17 £'000	17/18 £'000	Revised 17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000	Subseq. Years £'000
	Development of Land at Ore Valley								
9994									
	Acquisition of Land at Ore Valley from Hastings & Bexhill Renaisance Limited								
	Funding Source								
	Council	0	0			0			
	Other	700				700			
	Total Funding	700	0	0	0	700	0	0	0
	Revenue Costs								
	Financing Charge			**0**	**0**	**0**	**0**	**0**	**0**
	Other								
	Total Revenue Costs			0	0	0	0	0	0
	Energy Generation								
9995									
	Funding Source								
	Council	6,000	0			2,000	2,000	2,000	
	Other	0				0			
	Total Funding	6,000	0	0	0	2,000	2,000	2,000	0
	Revenue Costs								
	Financing Charge			**0**	**0**	**55**	**165**	**275**	**330**
	Other					-280	-540	-540	-540
	Total Revenue Costs			0	0	-225	-375	-265	-210
	Hastings Housing Company								
9996									
	Funding Source								
	Council	15,000	0		1,500	5,000	5,000	3,500	
	Other	0				0			
	Total Funding	15,000	0	0	1,500	5,000	5,000	3,500	0
	Revenue Costs								
	Financing Charge			**0**	**42**	**220**	**495**	**729**	**825**
	Other				-20	-60	-147	-200	-200
	Total Revenue Costs			0	22	160	348	529	625
ES28	**Castle Access/ Interpretation**								
9588									
	Improvements to the Castle for the 950th anniversary and £100k for additional works								
	Funding Source								
	Council	350	94	237	50	206			
	Heritage Lottery Fund	0							
	Total Funding	350	94	237	50	206	0	0	0
	Revenue Costs								
	Financing Charge			**11**	**3**	**14**	**24**	**24**	**24**
	Other								
	Total Revenue Costs			11	3	14	24	24	24
RP11	**Factory Refurbishment (ACE)**								
9117	Pilot scheme of refurbishment to a factory unit to achieve advanced levels of environmental performance.								
	Funding Source								
	Council (ABG/reserves Estates R&R £42)	0	0						
	Interreg (£416K less £155K in revenue 12/13) / LAA £87K	0	0						
	Total Funding	0	0	0	0	0	0	0	0
	Revenue Costs								
	Financing Charge			**0**	**0**	**0**	**0**	**0**	**0**
	Other								
	Total Revenue Costs			0	0	0	0	0	0
	In addition to the figure above there is £155K in revenue funded by Interreg and £100K funded by partners								

		Total Cost £'000	Before 31.3.17 £'000	17/18 £'000	Revised 17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000	Subseq. Years £'000
RP15 9593	**White Rock Baths**								
	Total project on white rock baths excluding tenant fit out - HBC £172k + loan £300k FST 150 ESI £235K								
	Funding Source								
	Council	173	173						
	Loan FST £300K+ £127K	427	427						
	Foreshore Trust total £200k ESCC (£235k +£85K) CCF £75k + Source (£49k)	645	645						
	Total Funding	1,245	1,245	0	0	0	0	0	0
	Revenue Costs								
	Financing Charge			**0**	**0**	**0**	**0**	**0**	**0**
	Other								
	Total Revenue Costs			0	0	0	0	0	0
RP11 9007	**Groyne Refurbishment**								
	To maintain beach and groins								
	Funding Source								
	Council	110		5	5	35	35	35	0
	Other	0							
	Total Funding	110	0	5	5	35	35	35	0
	Revenue Costs								
	Financing Charge			**1**	**1**	**3**	**6**	**9**	**10**
	Other								
	Total Revenue Costs			1	1	3	6	9	10
ES35 9006	**Work on Harbour Arm and New Groynes**								
	DEFRA funded works re above Investigations to take to take place in 14/15 with the majority of the work in 16/17 & 17/18								
	Funding Source								
	Council	30		30	10	20			
	Contribution from DEFRA/EA	2,938	528	2,410	1,210	1,200			
	Total Funding	2,968	528	2,440	1,220	1,220	0	0	0
	Revenue Costs								
	Financing Charge			**2**	**1**	**2**	**3**	**3**	**3**
	Other								
	Total Revenue Costs			2	1	2	3	3	3
ES36	**Further Sea Defence works**								
	Hastings Pier to South West Outfall								
	Funding Source								
	Council	0							
	Other - DEFRA/EA	150		70	0	150			
	Total Funding	150	0	70	0	150	0	0	0
	Revenue Costs								
	Financing Charge			**0**	**0**	**0**	**0**	**0**	**0**
	Other								
	Total Revenue Costs			0	0	0	0	0	0

			Total Cost £'000	Before 31.3.17 £'000	17/18 £'000	Revised 17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000	Subseq. Years £'000
RP09	**Public Realm**									
9574										
	Improvement & Refurbishment of public realm assets									
	<u>Funding Source</u>									
	Council		257	47	50	60	50	50	50	
	Other -Coastal Communities Fund revenue 2015/16 £35,000		91	91						
	<u>Total Funding</u>		348	138	50	60	50	50	50	0
	<u>Revenue Costs</u>									
	Financing Charge				**3**	**3**	**8**	**13**	**17**	**19**
	Maintenance of area									
	<u>Total Revenue Costs</u>				3	3	8	13	17	19
ES34	**Bottle Alley**									
9740										
	Improvements to Public Realm Bottle Alley lighting and concrete									
	<u>Funding Source</u>									
	Council		245	71		174	0			
	Other -Coastal Revival fund		50	50		0	0			
	<u>Total Funding</u>		295	121	0	174	0	0	0	0
	<u>Revenue Costs</u>									
	Financing Charge				**0**	**8**	**16**	**16**	**16**	**16**
	Maintenance of area									
	<u>Total Revenue Costs</u>				0	8	16	16	16	16
ES24	**CCTV Control Room**	TS								
9077										
	Replacement of equipment and cost of transfer to an alternative site									
	<u>Funding Source</u>									
	Council		372	363		9				
	ESCC £50k, Sussex Police £20k (was £15K), Sussex Coast College £20k (S106)		90	90						
	<u>Total Funding</u>		462	453	0	9	0	0	0	0
	<u>Revenue Costs</u>									
	Financing Charge				**0**	**1**	**1**	**1**	**1**	**1**
	Other									
	<u>Total Revenue Costs</u>				0	1	1	1	1	1
OS2	**Sea Escapes - CCF III Coastal Communities Fund Capital**	TS								
9650										
	Promenade improvements around White rock area partly funded by CCF									
	<u>Funding Source</u>									
	Council		89	89						
	HBC revenue repair budget		0	0						
	CCF £100k, FST £133k (£85k + £12k repairs+£18k additional July 15 Charity Committee meeting + £18k other repair (less £9k spent CC, £ 50K fountain needing further Charity Committee approval) - extra CCF funding		282	282						
	<u>Total Funding</u>		371	371	0	0	0	0	0	0
	<u>Revenue Costs</u>									
	Financing Charge				**0**	**0**	**0**	**0**	**0**	**0**
	Other									
	<u>Total Revenue Costs</u>				0	0	0	0	0	0

		Total Cost £'000	Before 31.3.17 £'000	17/18 £'000	Revised 17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000	Subseq. Years £'000
ES39	**Additional Chalets**								
9752									
	Build new chalets for Income generation								
	Funding Source								
	Council	85	0		85				
	Other	0							
	Total Funding	85	0	0	85	0	0	0	0
	Revenue Costs								
	Financing Charge			**0**	**4**	**8**	**8**	**8**	**8**
	Other			(10)	(5)	(30)	(30)	(30)	(30)
	Total Revenue Costs			(10)	(1)	(22)	(22)	(22)	(22)
ES33	**Crematorium and Chapel Enhancements**								
9604									
	Provision of upgrade including building alterations works on the memorial and drainage								
	Funding Source								
	Council	0	0						
	Other	0							
	Total Funding	0	0	0	0	0	0	0	0
	Revenue Costs								
	Financing Charge			**0**	**0**	**0**	**0**	**0**	**0**
	Other								
	Total Revenue Costs			0	0	0	0	0	0
ES32	**Country Park -Interpretive Centre**								
9603									
	Provision of a new Interpretive Centre. Council funding being provided by sale proceeds of Warren Cottage.								
	Funding Source								
	Council	246	74	161	32	140			
	Other via Interreg -HBC £272k (less costs)	258			0	258			
	Total Funding	504	74	161	32	398	0	0	0
	Revenue Costs								
	Financing Charge			**8**	**2**	**10**	**16**	**16**	**16**
	Other								
	Total Revenue Costs			8	2	10	16	16	16
ES37	**Playgrounds Upgrade Programme**								
9750									
	Play spaces - contribution to programmed refurbushments								
	Funding Source								
	Council	246	58		29	45	76	38	
	Other S106	67				48	7	12	
	Total Funding	313	58	0	29	93	83	50	0
	Revenue Costs								
	Financing Charge			**0**	**2**	**5**	**11**	**16**	**7**
	Other								
	Total Revenue Costs			0	2	5	11	16	7
ES38	**Playgrounds Carnoustie & Kensington Close**								
9751									
	Carnoustie Close & Kensington Close Play spaces contribution to upgrades								
	Funding Source								
	Council	0							
	Other S106	60	22		38				
	Total Funding	60	22	0	38	0	0	0	0
	Revenue Costs								
	Financing Charge			**0**	**0**	**0**	**0**	**0**	**0**
	Other								
	Total Revenue Costs			0	0	0	0	0	0

		Total Cost £'000	Before 31.3.17 £'000	17/18 £'000	Revised 17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000	Subseq. Years £'000
ES40	**Purchase of new parking machines and boards**								
9037									
	Installation of new Parking machines and tariff boards								
	Funding Source								
	Council	70			70				
	Other S106	0							
	Total Funding	70	0	0	70	0	0	0	0
	Revenue Costs								
	Financing Charge			**0**	**4**	**7**	**7**	**7**	**7**
	Other								
	Total Revenue Costs			0	4	7	7	7	7
OS3	**Coastal Communities scheme 4**								
	Promanade fountain WIFi Rock House & Source								
9545									
	Funding Source								
	Council	0			0				
	Other CCF £222k+ £142K FST £50k)	414			272	142			
	Total Funding	414	0	0	272	142	0	0	0
	Revenue Costs								
	Financing Charge			**0**	**0**	**0**	**0**	**0**	**0**
	Other								
	Total Revenue Costs			0	0	0	0	0	0
OS4	**Buckshole and Shornden Resevoirs**								
	Statutory Protection Works								
9545									
9571	Funding Source								
	Council	71			0	71			
		0							
	Total Funding	71	0	0	0	71	0	0	0
	Revenue Costs								
	Financing Charge			**0**	**0**	**4**	**7**	**7**	**7**
	Other								
	Total Revenue Costs			0	0	4	7	7	7

Report to: **Cabinet**

Date of Meeting: 12 February 2018

Report Title: **Treasury Management, Annual Investment Strategy and Capital Strategy 2018/19**

Report By: Peter Grace

Assistant Director – Financial Services and Revenues
(Chief Finance Officer)

Purpose of Report

To consider the draft Treasury Management, Annual Investment Strategy and Capital Strategy and make recommendations to Cabinet and Full Council as appropriate, to ensure that there is an effective framework for the management of the Council's investments, cash flows and borrowing activities. The Council has some £41.1 million of debt as at 23 January 2018, and investments which can fluctuate between some £15 million and £30 million in the year.

There is a statutory requirement to determine, by full Council, the Treasury Management Strategy Statement, Minimum Revenue Provision (MRP) Policy and Annual Investment Strategy prior to the start of the new financial year.

Recommendations

Cabinet recommends to Council that:

1. **Council adopts the new CIPFA Treasury Management Code of Practice (2017).**
2. **Council formally adopts, as part of the Council's Constitution and financial rules the four clauses recommended by the Code of Practice as detailed in Appendix 8.**
3. **The Council approve the Treasury Management Strategy, Minimum Revenue Provision (MRP) Policy, Annual Investment Strategy, and that a Capital Strategy is developed for 2019/20.**
4. **That the strategies continue to be reviewed in 2018/19 in the light of the requirements of the new Codes of Practice and that the Financial rules and Financial Operating Procedures of the Council are reviewed and amendments proposed as necessary.**
5. **That the authorised limit for external debt is increased by £10m to allow for short term borrowing for cash flow purposes at year end in particular.**

Reasons for Recommendations

The Council seeks to minimise the costs of borrowing and maximise investment income whilst ensuring the security of its investments. The Council is seeking to increase opportunities for income generation, particularly where there are benefits to the residents of Hastings in doing so, and this will continue to involve the Council in taking on additional borrowing. The sums involved are large and the assumptions made play an important part in determining the annual budget. A new CIPFA Code of Practice (2017 Edition) has been released to take account of the more commercialised approach being adopted by councils and the enhanced levels of transparency required. The Code represents best practice and helps ensure compliance with statutory requirements.

The Council has the ability to diversify its investments and must consider carefully the level of risk against reward against a background still of historically low interest rates. Investments can help to close the gap in the budget in the years ahead and thus help to preserve services.

Introduction

1. The Council is required to operate a balanced budget, which broadly means that cash raised will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering 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. Treasury management in this context is defined by CIPFA as:

   "The management of the organisation's borrowing, 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"

4. In December 2017, CIPFA issued a revised Treasury Management Code of Practice and a revised Prudential Code. These revisions have particularly focused on non-treasury investments and especially on the purchase of property with a view to generating income. Such purchases could involve undertaking external borrowing to raise the cash to finance these purchases, or the use of existing cash balances. Both actions would affect treasury management. As the Localism Act 2011 only gave English local authorities a General Power of

Competence, these changes in the revised codes are particularly relevant therefore to the activities of English authorities.

5. CIPFA has issued a statement that accepts that the issue of revised codes at this late stage in the current 2018-19 budget cycle will make it very difficult for most authorities to fully implement both codes. Accordingly, full implementation is not expected until 2019-20 across all authorities.

6. The treasury management role of the chief financial officer'. The specific roles of this officer have been extended to include a series of new roles in respect of the capital strategy and also a specific role in respect of investment in non-financial assets. Amendments are included within the Appendices

7. Treasury Management Practices will be revised to take account of changes in the Codes. The Council's advisors will be producing new templates to assist with this in due course.

8. **Investment guidance**

   The Ministry of Housing, Communities and Local Government (MHCLG) consultation on investment guidance closed on 22 December 2017 and so we are currently waiting for the revised guidance to be issued. This will focus particularly on non-financial asset investments. Any changes in this area of investment guidance will need to be complied with and amendments to the Strategy made as necessary. Any significant updates may require further Council approval. One small area of change that is expected and is already included within this document is the expected 364 day limit specified in the previous investment guidance will be changed to 365 days.

9. **Minimum Revenue Provision (MRP) guidance**

   The MHCLG consultation on MRP guidance also closed on 22 December 2017 and so we are currently waiting for the revised guidance to be issued. This will focus particularly on expenditure on purchasing non-financial asset investments. This could materially affect the Council's Housing Company and particularly any monies that constitute equity.

The Primary Requirements of the Code

10. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.

11. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.

12. 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.

13. 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.

14. 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.

Reporting Arrangements

15. The reporting arrangements proposed, in accordance with the requirements of the 2017 Code, are summarised below:-

Area of Responsibility	**Council/ Committee/ Officer**	**Frequency**
Treasury Management Strategy / Annual Investment Strategy / MRP policy/ Capital Strategy (in future years)	Cabinet and Council	Annually before the start of the year
Treasury Management Strategy / Annual Investment Strategy / MRP policy – Mid Year report	Cabinet and Council	Mid-year
Treasury Management Strategy / Annual Investment Strategy / MRP policy – updates or revisions at other times	Cabinet and Council	As required
Annual Treasury Outturn Report	Cabinet and Council	Annually by 30 September after the end of the year
Treasury Management Practices	S151 Officer	Reviewed as required (minimum - annually)
Scrutiny of Treasury Management Strategy	Audit Committee	Annually before the start of the year
Scrutiny of treasury management performance and strategy	Audit Committee	Quarterly Monitoring reports, Mid-Year report,

16. The CIPFA Code of Practice on Treasury Management has been adopted by this Council for many years. The 2017 edition now includes areas of council activity that would not have been captured fully under the previous code. The main clauses to be adopted are included in Appendix 8.

17. The Audit Committee is required to consider the Prudential Indicators as part of the Treasury Management Strategy and make recommendations to Cabinet and full Council; these are identified in the report and Appendix 4.

Investment Performance 2017-18

18. The performance for the first 9 months of 2017/18 provided an average return of 0.34% (excludes Local Authority Mortgage (LAM) scheme).This compares to 0.6% for the same period last year. These figures also exclude the interest receivable in respect of loans to other organisations.

19. The total interest receivable for the first 9 months is £82,000 (2016/17 £110,000) including the Local Authority Mortgage Scheme and £67,000 (2016/17 £78,000) excluding LAMS. These figures exclude the interest receivable in respect of the three loans to other organisations and income from the Property Fund investment. If all the interest received is included this would amount to some £178,500. The remaining £1million loan in respect of LAMS is due to be repaid in 2018.

20. The Audit Committee, Cabinet and full Council have considered a Mid-Year report on Treasury Management based on the performance and activities and issues that may have arisen since setting the strategies before the start of the financial year. The current strategy and policies were considered to be entirely appropriate and no changes were made.

Treasury Management Strategy for 2018/19

21. The Local Government Act 2003 (the Act) and supporting regulations require the Council to 'have regard to' the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential and Treasury Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

22. The Act therefore requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy; this sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments. There is now a new requirement to produce a Capital Strategy – this will be developed in the year ahead as guidance and best practice develops.

23. The suggested strategy for 2018/19 in respect of the following aspects of the treasury management function is based upon the Council officers' views on interest rates, supplemented with leading market forecasts provided by the Council's treasury adviser, Link Asset Services (previously Capita Asset Services).

24. The strategy covers two remain areas:

    (i) Capital issues
    - the capital plans and the prudential indicators;
    - the minimum revenue provision (MRP) policy.

    (ii) Treasury management issues
    - the current treasury position;
    - treasury indicators which limit the treasury risk and activities of the Council;

- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

25. These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, CLG MRP Guidance, the CIPFA Treasury Management Code and CLG Investment Guidance.

Key Changes to the Strategy

26. The key changes from the previous year's strategy are:

    i. The Council has taken on additional borrowing in 2017/18 in respect of the Capital programme and the Income Strategy. The level of borrowing has risen significantly but remained within the operational and authorised boundaries.

    ii. The income generation plans of the Council are expected to involve considerable new borrowing again in 2018/19 and the years ahead. The new borrowing limits proposed in the strategy are those agreed when determining the budget for 2017/18 plus the income generation strategy approved in September 2017and allow some headroom to borrow for the current and forthcoming schemes within the Capital programme without reliance on the capital receipts from land and property sales.

    iii. The one proposed change is to increase the Authorised limit by £10m to allow for temporary borrowing for cash flow purposes, lease liabilities and any debt rescheduling or guarantees agreed by Council. Currently the operational and authorised boundary amounts are the same. This amendment would result in the overall authorised borrowing limits increasing to £80m in 2017/18, £90m in 2018/19 and £100m in 2019/20 and the years beyond – the Operational Boundary limits remaining unaltered.

    iv. The majority of the new borrowing in future years will be for Capital purposes, but there will inevitably be a smaller requirement for loans that are revenue in nature e.g. initial loans to housing company for running costs. Such monies cannot be borrowed from the Public Works Loan Board, and will be funded from existing Council reserves.

    v. The Council is required to make a Minimum Revenue Provision in respect of its borrowing – to ensure debt is repaid over an appropriate period. Where the Council is making significant investments in property, housing or other programmes the Council's MRP policy enables the Council to match the principal repayments made on loans arranged with a near equal MRP payment (an annuity methodology).

vi. Investment returns should increase in the next few years as the bank rate increases, albeit marginally. The overall cash return is however likely to decrease as the Council's reserves deminish.

vii. The Council invested some of its existing reserves in a Property Fund – up to a limit of £2m by 31 March 2018. There are no proposals to invest further monies at this stage given the potential calls on reserves.

Balanced Budget

27. It is a statutory requirement under the Local Government Finance Act 1992, for the Council to calculate its Council Tax requirement. In particular, Section 31 requires a local authority in calculating the Council Tax requirement for each financial year to include the revenue costs that flow from capital financing decisions. Thus any increases in costs (running costs & borrowing costs) from new capital projects must be limited to a level which is affordable within the projected income of the Council for the foreseeable future.

PRUDENTIAL AND TREASURY LIMITS FOR 2018/19 TO 2020/21

The Council's Capital Position (Prudential Indicators)

28. The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

29. This part of the report is structured to update:

The Council's capital expenditure plans;

How these plans are being financed;

The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and

Reviewing the limits in place for borrowing activity.

30. The Cipfa code of practice has resulted in a few changes to the prudential indicators:

(i) Change the principal invested for longer than 364 days indicator to principal invested over 365 days in line with financial reporting definitions

(ii)Remove the interest rate exposure indicator and require the Treasury Management Strategy to state how interest rate exposure is managed and monitored, and

(iii) Extend the maturity structure of borrowing indicator to cover variable as well as fixed rate debt.

(iv) Net Debt and the CFR prudential indicator have been updated to Gross Debt and the CFR (this had previously only been updated in the Prudential

Code *Guidance*, 2013).

(v)The prudential indicator requirement to note the approval of the Treasury Management Code has been removed.

(vi) The incremental impact on the Council tax / Housing Rents prudential indicators have been removed.

Prudential Indicator for Capital Expenditure

31. This table shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the Budget.

	Revised 2017/18 £'000s	2018/19 £'000s	2019/20 £'000s	2020/21 £'000s
Gross Capital Expenditure	17,027	32,938	8,767	7,162
Net Capital Expenditure	13,145	28,691	7,210	5,623
Financing from own resources	968	1,531	210	123
Borrowing Requirement	12,177	27,160	7,000	5,500

32. In terms of net cost, the 2017/18 programme has been revised to £13,145,000 from £15,310,000. The 2018/19 programme amounts to £28,691,000 (£32,938,000 Gross).

Capital Expenditure – Financing

33. The new Capital schemes, approved since the budget, will generally be financed by borrowing, unless Capital receipts from the sale of assets are available.

34. The Priory Meadow Capital investment contribution is expected to be at least self financing although the timing and size of the spend and income streams are, as yet, uncertain.

35. The Cabinet approved the Income Generation Strategy on the 11 September 2017. This includes Capital expenditure of £50m spread over a period of 3 years to be financed from borrowing.

36. The larger schemes in the capital programme which are expected to require financing in 2017/18 from borrowing are:-

- A capital grant to Optivo (previously Amicus Horizon) in respect of Phase 2 of the Coastal Space project in the sum of £875,000 (or % thereof).
- The balance of the monies due in respect of BD Foods factory (£110,000)
- The purchase of Bexhill Road retail park (£8.8m)
- Housing Company (Loans estimated at between £1m and £1.5m in 2017/18)

37. The table above summarises the capital expenditure plans and how these plans are being financed – either by own resources e.g. Section 106, Capital receipts or finally through borrowing.

Impact on the prudential indicators

38. There has been, not unexpectedly, a big impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow.

39. The Capital Financing Requirement has increased significantly over the last 18 months. It is expected to reach some £75m by 2021/22 (based on the capital programme approvals to date).

40. The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2017/18 and next two financial years.

41. A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

42. The treasury indicators for borrowing activity are the Operational Boundary and the Authorised Limit for external debt.

43. The Operational Boundary is the limit beyond which external debt is not normally expected to exceed.

44. The Authorised Limit, which is a limit beyond which external debt is prohibited, needs to be set or revised by the full Council; it is a statutory duty under Section 3 of the Act and supporting regulations. Essentially the Council is required to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future Council Tax levels is 'acceptable'.

45. Whilst termed an "Affordable Borrowing Limit", the capital plans to be considered for inclusion incorporate financing by both external borrowing and other forms of liability, such as credit arrangements (certain leases). The Authorised Limit and operational boundary are to be set, on a rolling basis, for the forthcoming financial year and two successive financial years.

46. Another key indicator is the CFR (Capital Financing Requirement). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure which has not been funded from grants, revenue, reserves or capital receipts will increase the CFR.

47. The CFR does not increase indefinitely, as the minimum revenue provision (MRP) reduces the balance. The Council needs to ensure that its total debt does not exceed the CFR.

48. Prudential Indicators are set out in Appendix 4 to this report.

49. **Treasury Indicators: limits to borrowing activity**

50. Currently the operational and authorised limits are the same. It is recommended that the authorised limits be increased by £10m based on the budget approvals and the need to provide cover for short term cash flow requirements and any potential rescheduling of debt. The operational limit to remain unaltered.

51. The operational boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Operational boundary	**2017/18 Estimate £**	**2018/19 Estimate £**	**2019/20 Estimate £**	**2020/21 Estimate £**
Debt	65,000,000	75,000,000	85,000,000	85,000,000
Other long term liabilities	5,000,000	5,000,000	5,000,000	5,000,000
Total	70,000,000	80,000,000	90,000,000	90,000,000

52. The authorised limit for external debt. A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council.

The Council is asked to approve the following authorised limit:

Authorised limit	**2017/18 Estimate £**	**2018/19 Estimate £**	**2019/20 Estimate £**	**2020/21 Estimate £**
Debt	75,000,000	85,000,000	95,000,000	95,000,000
Other long term liabilities	5,000,000	5,000,000	5,000,000	5,000,000
Total	80,000,000	90,000,000	100,000,000	100,000,000

53. The authorised limit is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

PROSPECTS FOR INTEREST RATES

54. The Council has appointed Link Asset Services (previously Capita Asset Services) as treasury advisor to the Council and part of their service is to assist the Council to formulate a view on interest rates (Appendix 2 – Economic Review). The following table gives their view.

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate	0.50%	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%
5yr PWLB Rate	1.50%	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%
10yr PWLB View	2.10%	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%
25yr PWLB View	2.80%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.50%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%

55. As expected, the Monetary Policy Committee (MPC) delivered a 0.25% increase in Bank Rate at its meeting on 2 November. This removed the emergency cut in August 2016 after the EU referendum. The MPC also gave forward guidance that they expected to increase Bank rate only twice more by 0.25% by 2020 to end at 1.00%. The Link Asset Services forecast as above includes increases in Bank Rate of 0.25% in November 2018, November 2019 and August 2020.

56. The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. It has long been expected, that at some point, there would be a more protracted move from bonds to equities after a historic long-term trend, over about the last 25 years, of falling bond yields. The action of central banks since the financial crash of 2008, in implementing substantial Quantitative Easing, added further impetus to this downward trend in bond yields and rising bond prices. Quantitative Easing has also directly led to a rise in equity values as investors searched for higher returns and took on riskier assets. The sharp rise in bond yields since the US Presidential election in November 2016 has called into question whether the previous trend may go into reverse, especially now the Fed. has taken the lead in reversing monetary policy by starting, in October 2017, a policy of not fully reinvesting proceeds from bonds that it holds when they mature.

57. Until 2015, monetary policy was focused on providing stimulus to economic growth but has since started to refocus on countering the threat of rising inflationary pressures as stronger economic growth becomes more firmly established. The Fed. has started raising interest rates and this trend is expected to continue during 2018 and 2019. These increases will make holding US bonds much less attractive and cause their prices to fall, and therefore bond yields to rise. Rising bond yields in the US are likely to exert some upward pressure on bond yields in the UK and other developed economies. However, the degree of that upward pressure is likely to be dampened by how strong or weak the prospects for economic growth and rising inflation are in each country, and on the degree of progress towards the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

58. From time to time, gilt yields – and therefore PWLB rates - can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis and

emerging market developments. Such volatility could occur at any time during the forecast period.

59. Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts (and MPC decisions) will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

60. The overall balance of risks to economic recovery in the UK is probably to the downside, particularly with the current level of uncertainty over the final terms of Brexit.

61. Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

    - The Bank of England takes action too quickly over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
    - Geopolitical risks, especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.
    - A resurgence of the Eurozone sovereign debt crisis, possibly Italy, due to its high level of government debt, low rate of economic growth and vulnerable banking system.
    - Weak capitalisation of some European banks.
    - Political risks in European countries e.g. Germany, Austria
    - Rising protectionism under President Trump
    - A sharp Chinese downturn and its impact on emerging market countries

62. The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- UK inflation returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

The Fed causing a sudden shock in financial markets through misjudging the pace and strength of increases in its Fed. Funds Rate and in the pace and strength of reversal of Quantitative Easing, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.

BORROWING STRATEGY

63. **CURRENT PORTFOLIO POSITION**

The Council's debt position at 31 January 2017 comprised:

Table 1 – Borrowing

Debt	1 April 2017 Principal	Rate	Maturity	23.1.18 Principal	Rate
PWLB Loan 1	£7,500,000	4.80%	2033	£7,500,000	4.80%
PWLB Loan 2	£1,000,000	1.63%	2018	£0	1.63%
PWLB Loan 3	£2,000,000	0.40% (*Variable)	2019	£2,000,000	0.40% (*Variable)
PWLB Loan 4	£909,027	3.78%	2044	£909,027	3.78%
PWLB Loan 5	£1,788,235	3.78%	2044	£1,788,235	3.78%
PWLB Loan 6 (Annuity)	£272,182	1.66%	2026	£258,099	1.66%
PWLB Loan 7	£1,000,000	2.92%	2056	£1,000,000	2.92%
PWLB Loan 8	£1,000,000	3.08%	2046	£1,000,000	3.08%
PWLB Loan 9	£1,000,000	3.01%	2036	£1,000,000	3.01%
PWLB Loan 10	£1,000,000	2.30%	2026	£1,000,000	2.30%
PWLB Loan 11	£2,000,000	2.80%	2054	£2,000,000	2.80%
PWLB Loan 12	£1,000,000	2.42%	2028	£1,000,000	2.42%
PWLB Loan 13	£2,000,000	2.53%	2057	£2,000,000	2.53%
PWLB Loan 14	£2,000,000	2.50%	2059	£2,000,000	2.50%
PWLB Loan 15	£2,000,000	2.48%	2060	£2,000,000	2.48%
PWLB Loan 16 (Annuity)			2057	£7,275,000	2.53%
P|WLB Loan 17 (Annuity)			2057	£8,350,000	2.72%
Total Debt	**£26,469,444**	**3.15%**		**£41,080,361**	**2.99%**

64. The Council has loaned money to other organisations. As at 30 September 2017 three longer term loans are outstanding. Namely:

Table 2 – Loans to Other Organisations

3rd Party Organisations	Rate/ Return (%)	Start Date	End Date	Principal £	Term
Amicus /Optivo	3.78	04/09/2014	02/09/2044	1,788,235	Fixed
The Foreshore Trust	1.66	21/03/2016	20/03/2026	258,099	Annuity
The Source	2.43	17/12/2015	16/12/2024	22,763	Annuity
			Total	2,069,097	

65. Borrowing from the PWLB was taken to fund the Amicus Horizon (now Optivo) loan (£1,788,235- maturity loan) and the loan to the Foreshore Trust (£300,000 originally borrowed – annuity loan); these correspond to PWLB loans in Table 1 above.

BORROWING

66. The capital expenditure plans set out in the budget provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. This strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

67. Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. 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.

68. As a key indicator the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the Capital Financing Requirement (CFR) in the preceding year plus the estimates of any additional CFR for 2018/19 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

69. 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.

70. The total CFR can also be reduced by:

(i) the application of additional capital financing resources (such as unapplied capital receipts); or

(ii) charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

71. The level of long term borrowing will need to be determined by the relative merits of using alternative funding sources, including the reduction of investments, based on an assessment of market conditions as set out in the borrowing strategy. Borrowing will not exceed the figures set out in the Prudential Indicators.

72. The Council is looking to be in a fully funded position. This means that the capital borrowing need (the Capital Financing Requirement), has been fully funded with loan debt. Previously cash supporting the Council's reserves, balances and flow has been used as a temporary measure to fund the Capital expenditure. This strategy has been considered prudent as borrowing costs are increasing. However there is a cost of doing this as investment returns are low and counterparty risk is still an issue that needs to be considered.

73. The Council has at the time of writing some £40.08m of PWLB debt, and could potentially borrow up to the projected level of the CFR (£41.175m).

74. The plans for income generation, which 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 acquisitions or property funds, there remains 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.

75. In determining what is a prudent level of borrowing, the Council needs to ensure that it would still be able to provide core services if its investments or income generating initiatives failed – at least in part. As a guide each £1m of new borrowing, financing an asset with a life of 40 years would currently cost the Council some 5.5 % p.a. (based on a maturity loan with a 3% interest rate) i.e. £55,000 p.a. . The Council if investing money in property based assets as against other ventures would have assets to sell if necessary – thus reducing overall risk.

76. The recommendation last year was to increase the operational and authorised boundaries for 2016/17 to £40m, 2017/18 to £70m, 2018/19 to £80m and 2019/20 to £90m (Appendix 4). Individual income generating schemes of course needing to be shown to be viable and fully risk assessed, with due diligence checks completed.

77. In taking on such levels of additional debt the Council has to ensure that it can afford to do so. It also needs to ensure that it has an affordable exit strategy in the

event that expected returns are not realised. Where property is concerned there is normally an asset to dispose of and such schemes are not therefore at the higher end of the risk spectrum. In arriving at a figure of an additional £50m on the borrowing limit, it still remains the position that the Council currently has sufficient reserves to ensure that it could dispose of assets in a reasonable period and not be forced into an immediate fire sale. In the event that property values fell by say 20% the Council would not be forced to sell assets providing the rental streams were secure.

78. The Council again registered for the PWLB certainty rate earlier in the year which has given a 20 basis point reduction in the average rate of borrowing. The Council will look to do so again for 2018/19.

79. In normal circumstances the main sensitivities of the forecast are likely to be the two scenarios noted below. The Chief Finance Officer, in conjunction with the treasury advisors, will continually monitor both the prevailing interest rates and the market forecasts, adopting the following responses to a change of sentiment:

a. if it were felt that there was a significant risk of a sharp FALL in long and short term rates, e.g. due to a marked increase of risks around relapse into recession or of risks of deflation, then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered

b. if it were felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast, perhaps arising from a greater than expected increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates are still relatively cheap.

80. The general aim of this treasury management strategy is to minimise the costs of borrowing in both the short and longer term. In the short term it can consider avoiding new borrowing and using cash balances to finance new borrowing. However to minimise longer term costs it needs to borrow when rates are a historically low levels. The timing of new borrowing is therefore important to minimise the overall costs to the Council.

81. Given that rates look set to increase and given an increased borrowing requirement relating to income generation it is recommended that new borrowing is taken rather than use internal balances for long life assets.

82. The table below provides an estimate of the Council's Capital Financing Requirement (CFR) for the current and next 3 years. Please not the table below excludes the impact of leases (which have minimal impact at present <£10k).

CFR	2017/18	2018/19 (Est)	2019/20 (Est)	2020/21 (Est)
	£	£	£	£
CFR-Opening	29,783,000	41,175,000	64,033,807	69,686,196
Less MRP	785,000	1,116,000	1,406,498	1,540,217
Plus New Borrowing	12,177,000	27,160,000	7,000,000	5,500,000
CFR Closing	41,175,000	67,219,000	69,627,308	73,645,979

83. The table below highlights the Council's gross borrowing position against the CFR, which provides an indication of affordability for the Council.

Table 3 Internal Borrowing	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Capital Financing Requirement	41,175,000	67,219,000	69,627,308	73,645,979
External Borrowing	41,080,000	65,629,000	69,500,000	73,600,000
Net Internal Borrowing	95,000	1,590,000	127,308	45,979

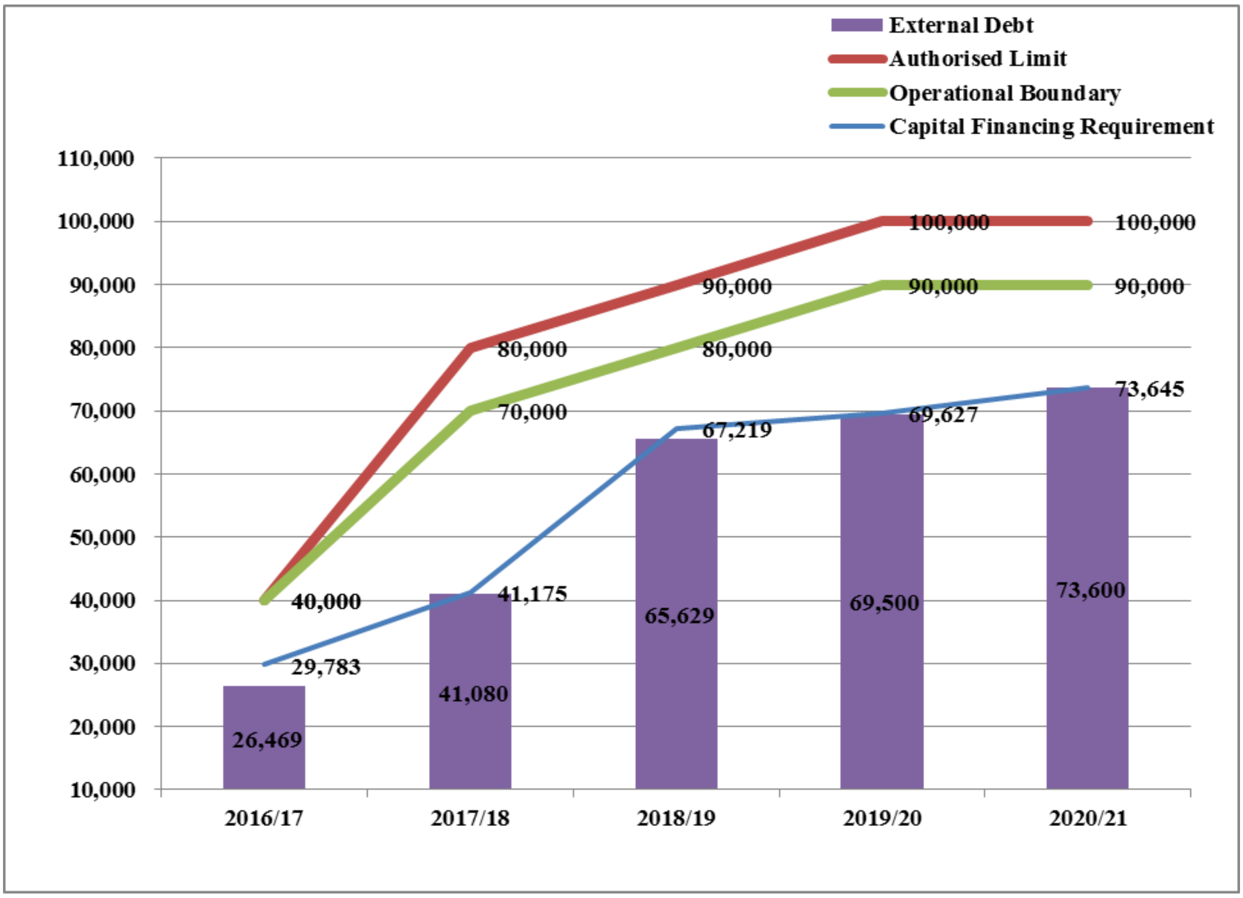
84. Borrowing activity is constrained by prudential indicators particularly the CFR, and by the authorised limit. The Council's long term borrowing must only be for a capital purpose. This essentially means that the Council is not borrowing to support revenue expenditure.

85. The Council is now maintaining a very small under-borrowed position as identified above. This means that the capital borrowing need (the Capital Financing Requirement), is nearly fully funded with loan debt as against cash supporting the Council's reserves, balances and cash flow being used as a temporary measure. This strategy is seen as prudent when interest rates are forecast to increase. However there is a cost, given that investment returns are low and counterparty risk has been relatively high. New borrowing will continue to be taken if good rates are available in the absence of any meaningful Capital receipts being available to fund Capital expenditure.

86. The Council now has some £41.08m of PWLB debt, and could potentially borrow up to a level of £41.175m (current CFR). This figure does not take account of any new capital spending in the remainder of this year which could potentially be funded by new borrowing.

87. It should be noted that a £1m PWLB loan is due to be repaid in March 2018. This loan was taken out to fund the second tranche of the Local Authority Mortgage scheme and is matched with a deposit of £1m with Lloyds Bank at an interest rate of 1.9% (which should be repaid to the Council in 2018).

88. **Table: External Debt, Authorised limits and CFR Projections**



Summary

89. New borrowing has been taken over the last 18 months, to not only take advantage of the historically low rates, but to ensure that the Council's own reserves are cash backed should restrictions be placed on the amount and levels of borrowing that authorities can undertake (particularly from the PWLB) and a balanced view will continue to be taken.

90. The plans for income generation, 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 has been a much stronger case for reducing the level of internal funding in order to ensure a lower level of borrowing risk in the future.

91. The cheapest borrowing will be internal borrowing by running down cash balances and foregoing interest earned at historically low rates. However, in view of the overall forecast for long term borrowing rates to increase over the next few years, consideration has been given to weighing the short term advantage of internal

borrowing against the potential increase in long term costs as rates rise. As such additional new borrowing will be taken.

92. The use of PWLB variable rate loans for up to 10 years will be considered as they can be repaid early without early redemption premiums. They can also be converted into longer dated fixed rate debt should it be considered prudent to do so.

93. The use of fixed rate market loans will also be considered should rates be below PWLB rates for the equivalent maturity period.

94. The use of either PWLB maturity or annuity loans will be considered in order to minimise annual borrowing costs.

Policy on borrowing in advance of need

95. The Council will not borrow more than, or in advance of, its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be considered carefully to ensure value for money can be demonstrated and that the Council can ensure the security of such funds.

96. In determining whether borrowing will be undertaken in advance of need the Council will:

   a. ensure that there is a clear link between the capital programme and maturity profile of the existing debt portfolio which supports the need to take funding in advance of need.
   b. ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets have been considered.
   c. evaluate the economic and market factors that might influence the manner and timing of any decision to borrow.
   d. consider the merits and demerits of alternative forms of funding.
   e. consider the appropriate funding period.
   f. consider the impact of borrowing in advance on temporarily (until required to finance capital expenditure) increasing investment cash balances and the consequent increase in exposure to counterparty risk, and the level of such risks given the controls in place to minimise them.

Debt Rescheduling

97. The introduction by the PWLB in 2007 of a spread between the rates applied to new borrowing and repayment of debt, which has now been compounded since 20 October 2010 by a considerable further widening of the difference between new borrowing and repayment rates, has meant that PWLB to PWLB debt restructuring is now much less attractive than it was before both of these events. In particular, consideration would have to be given to the large premiums which would be incurred by prematurely repaying existing PWLB loans and it is very unlikely that these could be justified on value for money grounds if using replacement PWLB refinancing.

98. 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 on the 27 September 2017 the early repayment cost of the £7.5m PWLB loan, maturing in 2033, would amount to £3,177,343. No debt rescheduling is being contemplated at present.

99. The reasons for any rescheduling to take place will include:

a. the generation of cash savings and / or discounted cash flow savings,

b. helping to fulfil the strategy outlined above

c. enhancing the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

Minimum Revenue Provision (MRP)

100. Appendix 1 of this report provides the detail on what the MRP is and the basis of the calculation. Basically, 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.

101. 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 i.e. the Minimum Revenue Provision (MRP). This can be achieved by equal annual instalments (current practice) or an annuity method – annual payments gradually increasing over the life of the asset. Where an annuity loan is taken, the Council's policy (Appendix 1) was amended last year to reflect the matching, as far as possible, of the MRP with the actual principal repaid (within each debt repayment).

102. The MRP for 2018/19 is estimated at £1,116,000 (the statutory charge to revenue that remains within the accounts).

ANNUAL INVESTMENT STRATEGY

Investment Policy

103. The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the CIPFA TM Code"). The Council's investment priorities will be security first, portfolio liquidity second, and then return.

104. In accordance with the above guidance from the MHCLG and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which

also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

105. Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.

Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

106. Investment instruments identified for use in the financial year are listed in an attached Appendix under the 'specified' and 'non-specified' investments categories. Counterparty limits will be as set through the Council's treasury management practices – schedules.

107. The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity.

108. In accordance with guidance from the MHCLG and CIPFA, and in order to minimise the risk to investments, the Council has below clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The creditworthiness methodology used to create the counterparty list fully accounts for the ratings, watches and outlooks published by all three ratings agencies with a full understanding of what these reflect in the eyes of each agency.

Creditworthiness Policy

109. This Council uses the creditworthiness service provided by Link Asset Services - the potential counterparty ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications. This service has been progressively enhanced over the last couple of years and now uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays: -

- credit watches and credit outlooks from credit rating agencies
- Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

110. This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of

CDS spreads for which the end product is a series of colour code bands which indicate the relative creditworthiness of counterparties. These colour codes are also used by the Council to determine the duration for investments and are therefore referred to as durational bands. This is a service which the Council would not be able to replicate using in house resources.

111. The selection of counterparties with a high level of creditworthiness will be achieved by selection of institutions down to a minimum durational band within Link Asset service's weekly credit list of worldwide potential counterparties. The Council will therefore use counterparties within the following durational bands: -

- Purple 2 years (but HBC will only invest for up to 1 year – except LAMS and Property Funds)
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100days
- No Colour not to be used

112. The Link Asset Services' creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

113. Typically the minimum credit ratings criteria the Council use will be a Short Term rating (Fitch or equivalents) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

114. This Council will not use the approach suggested by CIPFA of using the lowest rating from all three rating agencies to determine creditworthy counterparties as Moody's tend to be more aggressive in giving low ratings than the other two agencies. This would therefore be unworkable and leave the Council with few banks on its approved lending list. The Link creditworthiness service does though, use ratings from all three agencies, but by using a risk based scoring system, does not give undue weighting to just one agency's ratings.

115. The Council is alerted to the changes to credit ratings of all three agencies through its use of the Link creditworthiness service. These are monitored on a daily basis with lists updated weekly by Link Asset Services.

116. Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on government support for banks and the credit ratings of that government support.

117. The Council only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch Ratings (or equivalent from other

agencies if Fitch does not provide). The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 6. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy. The maximum investment in any non UK country is not to exceed £10m.

118. The Local Authority Mortgage Scheme (LAMS) – The Council is currently participating in the cash backed mortgage scheme which requires the Council to place a matching five year deposit to the life of the indemnity. This investment is an integral part of the policy initiative and is outside the criteria above.

119. The Council awarded its banking contract to Lloyds Bank on 1st December 2014. Whilst the counterparty limit is set at £5 million for most institutions, the level of investments that is held with Lloyds Bank is £5 million plus up to £500,000 short term. In addition there is £1 million invested in respect of LAMS – a total exposure of up to £6.5 million at any one time.

Investment Strategy

120. The table below provides a snapshot of the investments and deposits held mid year (on 30 September 2017). 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	0.01%	15/06/2011		£77,191	Call
Lloyds - LAMS	1.97%	26/03/2013	26/03/2018	£1,000,000	Fixed
NATWEST 95 Day Notice	0.10%	21/08/2013		£5,000,021	Call 95 day
Lloyds TSB Bank plc	0.55%	16/05/2017	16/11/2017	£5,000,000	Fixed
Heleba Landesbank Hessen-Thuerin	0.28%	05/06/2017	05/12/2017	£5,000,000	Fixed
Sumitomo Mitsui Bank	0.22%	07/09/2017	09/10/2017	£3,000,000	Fixed
Barclays Corporate	0.40%	25/04/2012		£1,891,864	Call
Santander	0.00%	01/04/2011		£5	Call
Santander	0.10%	15/04/2010		£500	Call
			Total	**£20,969,581**	

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

122. The Council has various limits depending upon the credit rating e.g. £5m with any one institution with a minimum short term rating of F+, and a long term rating of A+ or above, supported by a red (6 month) rating by Capita Asset Services. The £5m limit generally represents a level of up to 25% 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.

123. 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 on a daily basis if necessary to ensure that monies can be placed with appropriate institutions.

124. The net interest on the deposits in respect of the LAM scheme for the year is transferred into the mortgage reserve in order to meet potential defaults (none at present). If at the end of the five year period 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.

Investment Strategy – Property Fund

125. It was agreed in February 2017 that the option for diversification of some of the investments into a property fund be undertaken with CCLA in the sum of £2m. The investment being 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. The £2m was invested in April 2017 and the first dividend was paid in July 2017. The performance is detailed below:

End of	Dec-17	Nov-17	Oct-17	Sep-17	Aug-17	Jul-17	Jun-17	May-17	Apr-17
Offer Price p	319.44	315.83	315.20	314.48	312.74	310.87	310.22	308.64	307.19
Net Asset Value p	299.24	295.86	295.27	294.60	292.96	291.21	290.60	289.13	287.77
Bid Price p	294.60	291.27	290.69	290.03	288.42	286.70	286.10	284.64	283.31
Dividend* on XD Date p	3.38			3.77			3.34		
Dividend* - Last 12 Months p	13.71	13.56	13.56	13.56	13.07	13.07	13.07	13.19	13.19
Dividend Yield on NAV %	4.58	4.58	4.59	4.60	4.46	4.49	4.50	4.56	4.58
Fund Size £m	930.8	883.6	863.0	836.2	813.6	776.9	764.7	747.8	710.2

126. In terms of the income from the four dividends expected in respect of 2017/18 this is expected to be in the region of £29,000. The Net asset values of the units purchased have increased by some £71,000 since the purchase of the units in April 2017. As forewarned the value of the units when purchased was some 6% less than the purchase cost (equivalent to stamp duty land tax when purchasing property ourselves).

127. It is important that this is viewed as a longer term investment if the original Capital value is to be recovered. The performance to date remains encouraging and if repeated in 2018/19 should more than see the original investment value recovered.

128. There are no plans currently to invest further in the fund given the uncertainties around claims against the Council and the existing Capital expenditure plans.

Investment Strategy – View on Interest Rates

129. Investment returns are likely to remain low during 2018/19 but to be on a gently rising trend over the next few years.

130. Investment returns expectations.

Bank Rate is forecast to stay flat at 0.50% until quarter 4 2018 and not to rise above 1.25% by quarter 1 2021. Bank Rate forecasts, by Link Asset Services, for financial year ends (March) are:

- 2017/18 0.50%
- 2018/19 0.75%
- 2019/20 1.00%
- 2020/21 1.25%

131. The Council will look to report on the actual return achieved on its cash investments, both in terms of percentage and actual cash. It will look to report separately on different categories of cash investments e.g. Property Fund. It will use the London Interbank Bid Rate (3 month rate) as a comparator.

Investment Strategy – Income Generation

132. The income generation proposals that the Council is looking at 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 have been revised e.g. establishment of Income Generation Board.

133. The additional risks that the Council is taking on 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.

134. The income generation proposals require revenue loans to be provided to Council owned companies. Such funding is not be available from the Public Works Loan Board, and is therefore from existing Council reserves and balances. The rates of interest that are charged to the company (s) are determined at the time of the advance and need to comply with state aid rules where thresholds are exceeded – a market rate being payable. Given the start-up nature of the company (s) there may also be a necessity to roll up interest repayments until such time as the company produces sufficient revenue to repay interest and principal. By making

such loans the investment interest received by the Council in the short term could be reduced.

Capital Strategy

135. In the light of the increasing commercialisation within local government in particular, in December 2017, CIPFA issued revised Prudential and Treasury Management Codes.

136. The codes require all local authorities to produce detailed Capital Strategies, though CIPFA accepts that authorities may not be able to implement this in the 2018-19 budget cycle. It will be a requirement for 2019/20.

137. The Capital Strategy is intended to give a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability.

138. The development of a Capital Strategy allows flexibility to engage with full council to ensure that the overall strategy, governance procedures and risk appetite are fully understood by all elected members.

139. The Capital Strategy should be tailored to the authority's individual circumstances but should include capital expenditure, investments and liabilities and treasury management. The Capital Strategy should include sufficient detail to allow all members to understand how stewardship, value for money, prudence, sustainability and affordability will be secured and to meet legislative requirements on reporting.

140. The Capital strategy being a high level document that summarises in appropriate detail the requirements for specific investment appraisals. As a minimum such requirements being:

- the capital schemes that are proposed and their objectives
- The legal power to undertake a particular scheme
- The key aspects of the financial appraisal, including any significant risks that have been identified
- Qualitative criteria that have underpinned the recommendation for a scheme to proceed e.g. links to Corporate plan, economic growth, job retention, etc.
- Likely source of funding
- Long term implications
- Risks and affordability

141. In assessing new income generating proposals the Council does already consider the above list of issues as part of the due diligence checklist and decisions are fully documented.

Accounting Implications

142. International Financial reporting Standard Number 9 (IFRS 9) – This is an important consideration when assessing any investments now and will encompass the 2018/19 Accounting Code of Practice proposals for financial assets.

143. Expected Credit Loss Model – Whilst this should not be material for normal treasury investments, longer dated service investments, loans to third parties or loans to subsidiaries may be more problematic;

144. As the code is currently structured, equity related to the "commercialism" agenda, property funds, equity funds and similar, are likely to be classified as Fair Value through the Profit and Loss (FVPL). It is understood some funds are suggesting the election to Fair Value through Comprehensive Income (FVCI) applies to property funds as it would be deemed to be an equity investment. It is unclear at the date of writing this strategy whether the final Code will allow a statutory override to FVPL for these types of investment.

End of year investment report

145. At the end of the financial year, officers will report to Council on its investment activity as part of its Annual Treasury Report (to be presented by no later than 30 September).

Policy on use of external service providers

146. The Council uses Link Asset Services (Capita Asset Services previously) as its external treasury management advisors. There is currently value in employing external providers of treasury management services in order to acquire access to credit worthiness information and specialist advice.

147. **Training**

The CIPFA Code requires the responsible officer (Chief Financial Officer) to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. Training has been undertaken by members on an annual basis to date and further training will be arranged following the May 2018 elections.

The training needs of treasury management officers are periodically reviewed.

148. **MiFID II (Markets in Financial Instruments Directive)**

In brief, this directive requires the Council to distinguish itself as either a retail or professional client. In order to qualify for professional status the Council is required to show that it has more than £10m in investments, invests regularly (more than 10 times a quarter), as well as having appropriately trained and experienced staff.

149. To date only two counterparties have required us to complete the forms in order to maintain the existing professional status. The directive became law on 1 January 2018.

150. The two parties to date are Link Asset Services and CCLA. A schedule of such counterparties will be maintained, as per the requirements of the Code, should the list expand further.

Scheme of Delegation

151. Please see Appendix 9.

Role of the Section 151 Officer

152. Please see Appendix 10.

RISK MANAGEMENT

153. The strategy prioritises security of investments over return. Where investments are made they are limited in size and duration. External treasury advisers are used to advise the Council and have been used to train members. The Council has introduced further checks on credit worthiness of counterparties over the last five years as and when these have been further developed by its advisers.

154. Whilst there is no absolute security for investments made, the Council has limited its investments to the higher rated institutions, in order to mitigate the risk as far as practical and looks to reduce the risk by spreading its investment portfolio. The Council has adopted the CIPFA Code of Practice.

155. The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. Further training sessions for all members will be arranged after the May 2018 elections and prior to the consideration of the future Mid-year review by the Audit Committee and Cabinet.

156. The training needs of treasury management officers will also be reviewed in the light of the Code's requirements and experience of new staff.

157. The additional risks that the Council is taking on with commercial property, housing and energy investments 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.

158. 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 (Link Asset Services) ratings advice.

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

ECONOMIC/FINANCIAL IMPLICATIONS

160. The Council generally has investments in the year of between £15 million and £30 million at any one time, and is estimated to have longer term borrowings of between £41m and £44m by the end of March 2018. Management of its investments, borrowing and cash flow remains crucial to the proper and effective management of the Council. The Strategies and Policies detailed in the report directly influence the Council's Medium Term Financial Strategy and the annual budget.

ORGANISATIONAL CONSEQUENCES

161. The Cabinet is responsible for the development and review of the Treasury Management Strategy, Minimum Revenue Provision (MRP) Policy, Investment Strategy and the future Capital Strategy. The Audit Committee is responsible for scrutinising these strategies, policies and performance throughout the year. Full Council, as the budget setting body, remains responsible for the approval of the Treasury Management Strategy, MRP Policy, and Investment Strategy and will be responsible for the new Capital Strategy.

162. Monitoring reports will be produced and will be presented to Cabinet and the Audit Committee. A mid-year report is presented to full Council on any concerns arising since approving the initial strategies and policies. Only full Council will be able to amend the Treasury Management Strategy, MRP Policy, or Investment Strategy. The Chief Finance Officer will determine the Treasury Management Practices and associated schedules.

163. There are new responsibilities placed on the Council and the Chief Finance officer from the new Codes of Practice which relate to governance arrangements, ensuring robustness of business cases, and risk management. The risk management requirements relate to asset related properties which the Council has borrowed to finance, and assessments of overall risk. There are specific requirements to maintain schedules of counterparties and of any guarantees that the Council may give or have given in the past in order to fully assess the potential risks that the Council may be exposed to when making investment decisions.

Timetable of Next Steps

Action	Key milestone	Due date (provisional)	Responsible
Update Treasury Management Practices, produce necessary schedules for full compliance with Codes of Practice	Mid-Year Review (2018) 30 September 2018	Full implementation by 2019/20	Chief Finance Officer
Produce Capital Strategy, Revise Treasury Management Strategy	Budget Cabinet and Council – February 2019	Full implementation by 2019/20	Chief Finance Officer
Arrange Training for members/ officers		Before Mid-Year review(2018)	Chief Finance Officer

Wards Affected

None

Area(s) Affected

None

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	Yes
Local People's Views	No

Background Information

Supporting Documents
APPENDICES
1. MRP Introduction and Policy Statement
2. Interest Rate Forecasts
3. Economic Review
4. Prudential and Treasury Indicators
5. Specified and non-Specified Investments
6. Approved Countries for Investments
7. Treasury Management Policy Statement
8. Purpose and Requirements of the Code
9. Treasury Management Scheme of Delegation
10. The Treasury Management Role of the Section 151 Officer

Other Supporting Documents:-
CIPFA - Treasury Management Code of Practice (2017)
CIPFA - The Prudential Code (2017)

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APPENDIX 1

Minimum Revenue Provision – An Introduction

1. What is a Minimum Revenue Provision?
Capital expenditure is generally expenditure on assets which have a life expectancy of more than one year e.g. buildings, vehicles, machinery etc. It would be impractical to charge the entirety of such expenditure to revenue in the year in which it was incurred therefore such expenditure is spread over several years in order to try to match the years over which such assets benefit the local community through their useful life. The manner of spreading these costs is through an annual Minimum Revenue Provision, which was previously determined under Regulation, and will in future be determined under Guidance.

2. Statutory duty
Statutory Instrument 2008 no. 414 s4 lays down that:

"A local authority shall determine for the current financial year an amount of minimum revenue provision that it considers to be prudent."

The above is a substitution for the previous requirement to comply with regulation 28 in S.I. 2003 no. 3146 (as amended).

There is no requirement to charge MRP where the Capital Financing Requirement is nil or negative at the end of the preceding financial year.

3. Government Guidance
Along with the above duty, the Government issued guidance which came into force on 31st March 2008 which requires that a Statement on the Council's policy for its annual MRP should be submitted to the full Council for approval before the start of the financial year to which the provision will relate.

The Council is legally obliged to "have regard" to the guidance, which is intended to enable a more flexible approach to assessing the amount of annual provision than was required under the previous statutory requirements. The guidance offers four main options under which MRP could be made, with an overriding recommendation that the Council should make prudent provision to redeem its debt liability over a period which is reasonably commensurate with that over which the capital expenditure is estimated to provide benefits. The requirement to 'have regard' to the guidance therefore means that: -

Although four main options are recommended in the guidance, there is no intention to be prescriptive by making these the only methods of charge under which a local authority may consider its MRP to be prudent.

It is the responsibility of each authority to decide upon the most appropriate method of making a prudent provision, after having had regard to the guidance.

Option 1: Regulatory Method
Under the previous MRP regulations, MRP was set at a uniform rate of 4% of the adjusted CFR (i.e. adjusted for "Adjustment A") on a reducing balance method (which in effect meant that MRP charges would stretch into infinity). This historic approach must continue for all capital expenditure incurred in years before the start of this new approach. It may also be used for new capital expenditure up to the amount which is deemed to be supported through the SCE annual allocation.

Option 2: Capital Financing Requirement Method
This is a variation on option 1 which is based upon a charge of 4% of the aggregate CFR without any adjustment for Adjustment A, or certain other factors which were brought into account under the previous statutory MRP calculation. The CFR is the measure of an authority's outstanding debt liability as depicted by their balance sheet.

Option 3: Asset Life Method.
This method may be applied to most new capital expenditure, including where desired that which may alternatively continue to be treated under options 1 or 2.

Under this option, it is intended that MRP should be spread over the estimated useful life of either an asset created, or other purpose of the expenditure. There are two useful advantages of this option: -
Longer life assets e.g. freehold land can be charged over a longer period than would arise under options 1 and 2.
No MRP charges need to be made until the financial year after that in which an item of capital expenditure is fully incurred and, in the case of a new asset, comes into service use (this is often referred to as being an 'MRP holiday'). This is not available under options 1 and 2.

There are two methods of calculating charges under option 3:
equal instalment method – equal annual instalments,
annuity method – annual payments gradually increase during the life of the asset.

Option 4: Depreciation Method
Under this option, MRP charges are to be linked to the useful life of each type of asset using the standard accounting rules for depreciation (but with some exceptions) i.e. this is a more complex approach than option 3.

The same conditions apply regarding the date of completion of the new expenditure as apply under option 3.

Minimum Revenue Provision Policy Statement 2018/19

The Council implemented the new Minimum Revenue Provision (MRP) guidance in 2008/9 , and will assess the MRP for 2018/19 in accordance with the main recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003.

A major proportion of the MRP for 2018/19 relates to the more historic debt liability that will continue to be charged at the rate of 4%, in accordance with option 1 of the guidance. Certain expenditure reflected within the debt liability at 31st March 2018 will under delegated powers be subject to MRP under option 3, which will be charged over a period which is reasonably commensurate with the estimated useful life applicable to the nature of expenditure, using the equal annual instalment method. For example, capital expenditure on a new building, or on the refurbishment or enhancement of a building, will be related to the estimated life of that building.

Estimated life periods will be determined under delegated powers – subject to the limitations of the government's investment requirements (2018). To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, these periods will generally be adopted by the Council. However, the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

The Council participates in LAMS using the cash backed option. The mortgage lenders require a 5 year deposit from the local authority to match the 5 year life of the indemnity. The deposit placed with the mortgage lender provides an integral part of the mortgage lending, and is treated as capital expenditure and a loan to a third party. The Capital Financing Requirement (CFR) will increase by the amount of the total indemnity. The deposit is due to be returned in full at maturity, with interest paid either annually or on maturity. Once the deposit matures and funds are returned to the local authority, the returned funds are classed as a capital receipt, and the CFR will reduce accordingly. As this is a temporary (5 year) arrangement and the funds will be returned in full, there is no need to set aside prudent provision to repay the debt liability in the interim period, so there is no MRP application. The LAMS scheme should be ending in early 2018, but it is possible if there is outstanding debt that it extends into 2018/19 and hence this paragraph is retained within the policy.

Repayments included in finance leases are applied as MRP. It should also be noted that the Council will not make any MRP in regards of the loans to Optivo (previously Amicus Horizon) in respect of the Coastal Space scheme. Optivo will meet the costs of the loan (Principal and Interest). Likewise for any loan to the Foreshore Trust - as the interest and principal repayments to be made by the Council will be funded in full from the sums payable by the Trust no separate MRP will be made by the Council.

The Council is seeking to generate additional income from capital Investments. The Council will look to make a prudent provision for the repayment of debt over the expected life of the asset. In doing so, where an annuity loan is taken or may be taken at some stage in the future to finance the purchase the MRP made will reflect as far as possible the principal element of the actual loan repayments (rather than accruals). The interest rate to be calculated at the outset being determined by the Chief Finance Officer.

APPENDIX 2 Interest Rate Forecasts

The data below shows Sectors forecast

Link Asset Services Interest rate forecast – Dec 2017 – March 2021

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate	0.50%	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%
5yr PWLB Rate	1.50%	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%
10yr PWLB View	2.10%	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%
25yr PWLB View	2.80%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.50%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%

APPENDIX 3 Economic Review (Link Asset Services)

GLOBAL OUTLOOK. World growth looks to be on an encouraging trend of stronger performance, rising earnings and falling levels of unemployment. In October, the IMF upgraded its forecast for world growth from 3.2% to 3.6% for 2017 and 3.7% for 2018.

In addition, inflation prospects are generally muted and it is particularly notable that wage inflation has been subdued despite unemployment falling to historically very low levels in the UK and US. This has led to many comments by economists that there appears to have been a fundamental shift downwards in the Phillips curve (this plots the correlation between levels of unemployment and inflation e.g. if the former is low the latter tends to be high). In turn, this raises the question of what has caused this? The likely answers probably lay in a combination of a shift towards flexible working, self-employment, falling union membership and a consequent reduction in union power and influence in the economy, and increasing globalisation and specialisation of individual countries, which has meant that labour in one country is in competition with labour in other countries which may be offering lower wage rates, increased productivity or a combination of the two. In addition, technology is probably also exerting downward pressure on wage rates and this is likely to grow with an accelerating movement towards automation, robots and artificial intelligence, leading to many repetitive tasks being taken over by machines or computers. Indeed, this is now being labelled as being the start of the fourth industrial revolution.

KEY RISKS - central bank monetary policy measures
Looking back on nearly ten years since the financial crash of 2008 when liquidity suddenly dried up in financial markets, it can be assessed that central banks' monetary policy measures to counter the sharp world recession were successful. The key monetary policy measures they used were a combination of lowering central interest rates and flooding financial markets with liquidity, particularly through unconventional means such as Quantitative Easing (QE), where central banks bought large amounts of central government debt and smaller sums of other debt.

The key issue now is that that period of stimulating economic recovery and warding off the threat of deflation is coming towards its close and a new period has already started in the US, and more recently in the UK, on reversing those measures i.e. by raising central rates and (for the US) reducing central banks' holdings of government and other debt. These measures are now required in order to stop the trend of an on-going reduction in spare capacity in the economy, and of unemployment falling to such low levels that the re-emergence of inflation is viewed as a major risk. It is, therefore, crucial that central banks get their timing right and do not cause shocks to market expectations that could destabilise financial markets. In particular, a key risk is that because QE-driven purchases of bonds drove up the price of government debt, and therefore caused a sharp drop in income yields, this then also encouraged investors into a search for yield and into investing in riskier assets such as equities. This resulted in bond markets and equity market prices both rising to historically high valuation levels simultaneously. This, therefore, makes both asset categories vulnerable to a sharp correction. It is important, therefore, that central banks only gradually unwind their holdings of bonds in order to prevent destabilising the financial markets. It is also likely that the timeframe for central banks unwinding their holdings of QE debt purchases will be over several years. They need to balance their timing to neither squash economic recovery by taking too rapid and too strong action, or, alternatively, let inflation run away by taking action that was too slow and/or too weak. The potential for central banks to get this timing and strength of action wrong are now key risks.

There is also a potential key question over whether economic growth has become too dependent on strong central bank stimulus and whether it will maintain its momentum against a backdrop of rising interest rates and the reversal of QE. In the UK, a key vulnerability is the low level of productivity growth, which may be the main driver for increases in wages; and decreasing consumer disposable income, which is important in the context of consumer expenditure primarily underpinning UK GDP growth.

A further question that has come to the fore is whether an inflation target for central banks of 2%, is now realistic given the shift down in inflation pressures from internally generated inflation, (i.e. wage inflation feeding through into the national economy), given the above mentioned shift down in the Phillips curve.

- Some economists favour a shift to a lower inflation target of 1% to emphasise the need to keep the lid on inflation. Alternatively, it is possible that a central bank could simply ‘look through’ tepid wage inflation, (i.e. ignore the overall 2% inflation target), in order to take action in raising rates sooner than might otherwise be expected.
- However, other economists would argue for a shift *UP* in the inflation target to 3% in order to ensure that central banks place the emphasis on maintaining economic growth through adopting a slower pace of withdrawal of stimulus.
- In addition, there is a strong argument that central banks should target financial market stability. As mentioned previously, bond markets and equity markets could be vulnerable to a sharp correction. There has been much commentary, that since 2008, QE has caused massive distortions, imbalances and bubbles in asset prices, both financial and non-financial. Consequently, there are widespread concerns at the potential for such bubbles to be burst by exuberant central bank action. On the other hand, too slow or weak action would allow these imbalances and distortions to continue or to even inflate them further.
- Consumer debt levels are also at historically high levels due to the prolonged period of low cost of borrowing since the financial crash. In turn, this cheap borrowing has meant that other non-financial asset prices, particularly house prices, have been driven up to very high levels, especially compared to income levels. Any sharp downturn in the availability of credit, or increase in the cost of credit, could potentially destabilise the housing market and generate a sharp downturn in house prices. This could then have a destabilising effect on consumer confidence, consumer expenditure and GDP growth. However, no central bank would accept that it ought to have responsibility for specifically targeting house prices.

UK. After the UK surprised on the upside with strong economic growth in 2016, growth in 2017 has been disappointingly weak; quarter 1 came in at only +0.3% (+1.8% y/y), quarter 2 was +0.3% (+1.5% y/y) and quarter 3 was +0.4% (+1.5% y/y). The main reason for this has been the sharp increase in inflation, caused by the devaluation of sterling after the EU referendum, feeding increases in the cost of imports into the economy. This has caused, in turn, a reduction in consumer disposable income and spending power and so the services sector of the economy, accounting for around 80% of GDP, has seen weak growth as consumers cut back on their expenditure. However, more recently there have been encouraging statistics from the manufacturing sector which is seeing strong growth, particularly as a result of increased demand for exports. It has helped that growth in the EU, our main trading partner, has improved significantly over the last year while robust world growth has also been supportive. However, this sector only accounts for around 10% of GDP so expansion in this sector will have a much more muted effect on the overall GDP growth figure for the UK economy as a whole.

While the Bank of England is expected to give forward guidance to prepare financial markets for gradual changes in policy, the Monetary Policy Committee, (MPC), meeting of 14 September 2017 managed to shock financial markets and forecasters by suddenly switching to a much more aggressive tone in terms of its words around warning that Bank Rate will need to rise soon. The Bank of England Inflation Reports during 2017 have clearly flagged up that it expected CPI inflation to peak at just under 3% in 2017, before falling back to near to its target rate of 2% in two years' time. The Bank revised its forecast for the peak to just over 3% at the 14 September meeting. (Inflation actually came in at 3.1% in November so that may prove now to be the peak.) This marginal revision in the Bank's forecast can hardly justify why the MPC became so aggressive with its wording; rather, the focus was on an emerging view that with unemployment having already fallen to only 4.3%, the lowest level since 1975, and improvements in productivity being so weak, that the amount of spare capacity in the economy was significantly diminishing towards a point at which they now needed to take action. In addition, the MPC took a more tolerant view of low wage inflation as this now looks like a common factor in nearly all western economies as a result of automation and globalisation. However, the Bank was also concerned that the withdrawal of the UK from the EU would effectively lead to a *decrease* in such globalisation pressures in the UK, and so this would cause additional inflationary pressure over the next few years.

At Its 2 November meeting, the MPC duly delivered a 0.25% increase in Bank Rate. It also gave forward guidance that they expected to increase Bank Rate only twice more in the next three years to reach 1.0% by 2020. This is, therefore, not quite the 'one and done' scenario but is, nevertheless, a very relaxed rate of increase prediction in Bank Rate in line with previous statements that Bank Rate would only go up very gradually and to a limited extent.

However, some forecasters are flagging up that they expect growth to accelerate significantly towards the end of 2017 and then into 2018. This view is based primarily on the coming fall in inflation, (as the effect of the effective devaluation of sterling after the EU referendum drops out of the CPI statistics), which will bring to an end the negative impact on consumer spending power. In addition, a strong export performance will compensate for weak services sector growth. If this scenario was indeed to materialise, then the MPC would be likely to accelerate its pace of increases in Bank Rate during 2018 and onwards.

It is also worth noting the contradiction within the Bank of England between action in 2016 and in 2017 by two of its committees. After the shock result of the EU referendum, the Monetary Policy Committee (MPC) voted in August 2016 for emergency action to cut Bank Rate from 0.50% to 0.25%, restarting £70bn of QE purchases, and also providing UK banks with £100bn of cheap financing. The aim of this was to lower borrowing costs, stimulate demand for borrowing and thereby increase expenditure and demand in the economy. The MPC felt this was necessary in order to ward off their expectation that there would be a sharp slowdown in economic growth. Instead, the economy grew robustly, although the Governor of the Bank of England strongly maintained that this was *because* the MPC took that action. However, other commentators regard this emergency action by the MPC as being proven by events to be a mistake. Then in 2017, we had the Financial Policy Committee (FPC) of the Bank of England taking action in June and September over its concerns that cheap borrowing rates, and easy availability of consumer credit, had resulted in too rapid a rate of growth in consumer borrowing and in the size of total borrowing, especially of unsecured borrowing. It, therefore, took punitive action to clamp down on the ability of the main banks to extend such credit! Indeed, a PWC report in October 2017 warned that credit card, car and personal loans and student debt will hit the equivalent of an average of £12,500 per household by 2020. However, averages belie wide variations in levels of debt with much higher exposure being biased towards younger people, especially the 25 -34 year old band, reflecting their lower levels of real income and asset ownership.

One key area of risk is that consumers may have become used to cheap rates since 2008 for borrowing, especially for mortgages. It is a major concern that some consumers may have over extended their borrowing and have become complacent about interest rates going up after Bank Rate had been unchanged at 0.50% since March 2009 until falling further to 0.25% in August 2016. This is why forward guidance from the Bank of England continues to emphasise slow and gradual increases in Bank Rate in the coming years. However, consumer borrowing is a particularly vulnerable area in terms of the Monetary Policy Committee getting the pace and strength of Bank Rate increases right - without causing a sudden shock to consumer demand, confidence and thereby to the pace of economic growth.

Moreover, while there is so much uncertainty around the Brexit negotiations, consumer confidence, and business confidence to spend on investing, it is far too early to be confident about how the next two to three years will actually pan out.

EZ. Economic growth in the eurozone (EZ), (the UK's biggest trading partner), had been lack lustre for several years after the financial crisis despite the ECB eventually cutting its main rate to -0.4% and embarking on a massive programme of QE. However, growth picked up in 2016 and has now gathered substantial strength and momentum thanks to this stimulus. GDP growth was 0.6% in quarter 1 (2.1% y/y), 0.7% in quarter 2 (2.4% y/y) and +0.6% in quarter 3 (2.6% y/y). However, despite providing massive monetary stimulus, the European Central Bank is still struggling to get inflation up to its 2% target and in November inflation was 1.5%. It is therefore unlikely to start on an upswing in rates until possibly 2019. It has, however, announced that it will slow down its monthly QE purchases of debt from €60bn to €30bn from January 2018 and continue to at least September 2018.

USA. Growth in the American economy was notably erratic and volatile in 2015 and 2016. 2017 is following that path again with quarter 1 coming in at only 1.2% but quarter 2 rebounding to 3.1% and quarter 3 coming in at 3.2%. Unemployment in the US has also fallen to the lowest level for many years, reaching 4.1%, while wage inflation pressures, and inflationary pressures in general, have been building. The Fed has started on a gradual upswing in rates with four increases in all and four increases since December 2016; the latest rise was in December 2017 and lifted the central rate to 1.25 – 1.50%. There could then be another four increases in 2018. At its September meeting, the Fed said it would start in October to gradually unwind its $4.5 trillion balance sheet holdings of bonds and mortgage backed securities by reducing its reinvestment of maturing holdings.

CHINA. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

JAPAN. GDP growth has been gradually improving during 2017 to reach an annual figure of 2.1% in quarter 3. However, it is still struggling to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

<u>Brexit timetable and process</u>

- March 2017: UK government notifies the European Council of its intention to leave under the Treaty on European Union Article 50
- March 2019: initial two-year negotiation period on the terms of exit. In her Florence speech in September 2017, the Prime Minister proposed a two year transitional period after March 2019.
- UK continues as a full EU member until March 2019 with access to the single market and tariff free trade between the EU and UK. Different sectors of the UK economy will leave the single market and tariff free trade at different times during the two year transitional period.
- The UK and EU would attempt to negotiate, among other agreements, a bi-lateral trade agreement over that period.
- The UK would aim for a negotiated agreed withdrawal from the EU, although the UK could also exit without any such agreements in the event of a breakdown of negotiations.
- If the UK exits without an agreed deal with the EU, World Trade Organisation rules and tariffs could apply to trade between the UK and EU - but this is not certain.
- On full exit from the EU: the UK parliament would repeal the 1972 European Communities Act.
- The UK will then no longer participate in matters reserved for EU members, such as changes to the EU's budget, voting allocations and policies.

APPENDIX 4 Prudential Indicators

The Council's Capital expenditure plans are the key driver of treasury management activity. The output of the Capital expenditure plans (detailed in the budget) is reflected in the prudential indicators below.

TREASURY MANAGEMENT PRUDENTIAL INDICATORS	2017/18*	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000	£'000
Authorised Limit for external debt					
Borrowing	£75,000	£85,000	£95,000	£95,000	£95,000
other long term liabilities	£5,000	£5,000	£5,000	£5,000	£5,000
TOTAL	£80,000	£90,000	£100,000	£100,000	£100,000
Operational Boundary for external debt -					
borrowing	£65,000	£75,000	£85,000	£85,000	£85,000
other long term liabilities	£5,000	£5,000	£5,000	£5,000	£5,000
TOTAL	£70,000	£80,000	£90,000	£90,000	£90,000

2017/18* - proposed revision to authorised boundary from £70m to £80m. Operational boundary unaltered.

Interest Rate Exposures	2018/19	2019/20	2020/21
	Upper	Upper	Upper
Limits on fixed interest rates based on **net** debt	100%	100%	100%
Limits on variable interest rates based on **net** debt	100%	100%	100%
Limits on fixed interest rates:			
· Debt only	100%	100%	100%
· Investments only	100%	100%	100%
Limits on variable interest rates			
· Debt only	30%	30%	30%
· Investments only	100%	100%	100%
Maturity Structure of fixed interest rate borrowing 2018/19			
		lower	Upper
Under 12 Months		0%	100%
12 months to 2 years		0%	100%
2 years to 5 years		0%	100%
5 years to 10 years		0%	100%
10 years to 20 years		0%	100%
20 years to 30 years		0%	100%
30 years to 40 years		0%	100%
40 years to 50 years		0%	100%
Maturity Structure of variable interest rate borrowing 2018/19			
		lower	Upper
Under 12 Months		0%	30%
12 months to 2 years		0%	30%
2 years to 5 years		0%	30%
5 years to 10 years		0%	30%
10 years to 20 years		0%	10%
20 years to 30 years		0%	10%
30 years to 40 years		0%	10%
40 years to 50 years		0%	10%

Affordability prudential indicator - Ratio of financing costs to net revenue stream

This indicator assesses the affordability of the capital investment plans. It provides an indication of the impact of the capital investment plans on the Council's overall finances This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

Prudential Indicator: Financing Cost to Net Revenue Stream	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Financing Costs	£'000	£'000	£'000	£'000	£'000
1. Interest Charged to General Fund	703	1,022	1,655	2,153	2,334
2. Interest Payable under Finance Leases and any other long term liabilities	-	-	-	-	-
3. Gains and losses on the repurchase or early settlement of borrowing credited or charged to the amount met from government grants and local taxpayers	-19	-19	0	0	0
4. Interest and Investment Income	-369	-360	-465	-465	-465
5. Amounts payable or receiveable in respect of financial derivatives	-	-	-	-	-
6. MRP, VRP	505	785	1,116	1,348	1,627
6. Depreciation/Impairment that are charged to the amount to be met from government grants and local taxpayers	-	-	-	-	-
Total	820	1,428	2,306	3,036	3,496
Net Revenue Stream					
Amount to be met from government grants and local taxpayers	14,549	13,870	13,522	12,999	12,289
Ratio					
Financing Cost to Net Revenue Stream	**6%**	**10%**	**17%**	**23%**	**28%**

This prudential indicator shows that the ratio of financing costs to the net revenue stream is increasing. This is not unexpected given that the Council has an income generation strategy that has identified an additional £50m of Capital expenditure over the period 2017/18 to 2020/21. The above ratio does not currently take into account the income that will be generated from the Capital investment.

APPENDIX 5 Specified and Non-Specified Investments

Specified Investments:

The idea of specified investments is to identify investments offering high security and high liquidity. All these investments should be in sterling and with a maturity of up to a maximum of one year.

Schedule A

	Security / Minimum Credit Rating	Maximum Maturity Period
Local authorities	N/A	1 year
DMADF – UK Government	N/A	1 year
Money market funds (CNAV, LVAV,VNAV)	AAA	Liquid
Term deposits with banks and building societies	Blue Orange Red Green No Colour	Up to 1 year Up to 1 year Up to 6 months Up to 3 months Not for use
Certificates of deposits (CDs) issued by credit rated deposit takers (banks and building societies)	Blue Orange Red Green No Colour	Up to 1 year Up to 1 year Up to 6 months Up to 3 months Not for use
UK Government Gilts	UK sovereign rating	12 months
UK Government Treasury Bills	UK sovereign rating	12 months

Non-Specified Investments

These are any investments which do not meet the specified investment criteria. The aim is to ensure that proper procedures are in place for undertaking risk assessments of investments made for longer periods or with bodies which do not have a “high” credit rating. As far as this Council is concerned the risks are in relation to the value of the investments, which may rise or fall, rather than deficient credit rating.

There is no intention to invest in Non-Specified Investments, other than those Property Funds where there are no Capital accounting implications, without taking specialist advice first. The limits on Investments in Property Funds will be agreed as part of this Treasury Management Strategy and Investment Policy. For clarity any increase in the level of the investment would need Council approval.

Schedule B

Investment	Security / Minimum credit rating	(A) Why use it? (B) Associated risks
Property Funds	*The use of these instruments can be deemed capital expenditure, and as such will be an application (spending) of capital resources. This Authority will seek guidance on the status of any fund it may consider using. Appropriate due diligence will also be undertaken before investment of this type is undertaken.*	
UK Government Gilts with maturities in excess of 1 year Custodial arrangement required prior to purchase	Government backed	(A) (i) Excellent credit quality. (ii) Very liquid. (iii) if held to maturity, known yield (rate of return) per annum – aids forward planning. (iv) If traded, potential for capital gain through appreciation in value (i.e. sold before maturity) (v) No currency risk. (B) (i) 'Market or interest rate risk': Yield subject to movement during life of sovereign bond which could negatively impact on price of the bond i.e. potential for capital loss.

APPENDIX 6 Approved Countries for Investments

The list is based on those countries which have sovereign ratings of AA- or higher (the lowest rating shown from Fitch, Moody's and S&P) and also, (except at the time of writing- for Hong Kong, Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link Asset Services credit worthiness service.

Countries that meet our criteria 1, 2, 3, 4 (at 15.1.2018)

1. AAA
   - Australia
   - Canada
   - Denmark
   - Germany
   - Luxembourg
   - Netherlands
   - Norway
   - Singapore
   - Sweden
   - Switzerland

2. AA+
   - Finland
   - Hong Kong
   - U.S.A.

3. AA
   - Abu Dhabi (UAE)
   - France
   - U.K.

4. AA-
   - Belgium
   - Qatar

Examples of Countries that do not meet our criteria:

Japan
Kuwait
Greece
Spain

APPENDIX 7 Treasury Management Policy Statement

The Council defines the policies and objectives of its treasury management activities as:

"The management of the organisation's borrowing, 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".

This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management."

APPENDIX 8 Key Principles and Clauses formally adopted

The Code identifies three key principles:

Key Principle 1

Public service organisations should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities

Key Principle 2

Their policies and practices should make clear that the effective management and control of risk are the prime objectives of their treasury management activities and that responsibility for these lies clearly within their organisations. Their appetite for risk should form part of their annual strategy, including any use of financial instruments for the prudent management of those risks, and should ensure that priority is given to security and portfolio liquidity when investing treasury management funds.

Key Principle 3

They should acknowledge that the pursuit of value for money in treasury management and the use of suitable performance measures, are valid and important tools for responsible organisations to employ in support of their business and service objectives; and that within the context of effective risk management, their treasury management policies and practices should reflect this.

Clauses to be formally adopted

1. This organisation will create and maintain, as the cornerstones for effective treasury management:

- a Treasury Management Policy Statement, stating the policies, objectives and approach to risk management of its treasury management activities

- suitable Treasury Management Practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The content of the policy statement and TMP's will follow the recommendations contained in Sections 6 and & of the Code, subject only to amendment where necessary to reflect the particular circumstances of this organisation. Such amendments will not result in the organisation materially deviating from the Codes key principles.

2. This organisation (i.e. full board/council) will receive reports on its treasury management policies, practices and activities, including, as a minimum, an

annual strategy and plan in advance of the year, a mid- year review and an annual report after its close, in the form prescribed in its TMPs.

3. This council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury decisions to the Chief Financial Officer, who will act in accordance with the organisations policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.

4. This Council nominates the Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

APPENDIX 9 Treasury Management Scheme of Delegation

(i) Full Council

1.Approval of the Treasury Management Strategy - prior to the new financial year

2.Approval of the Investment Strategy - prior to the new financial year

3.Approval of the MRP Policy - prior to the start of the new financial year

4.Approval of any amendments required to the Strategy during the year

5. Receipt of a Midyear report on the Treasury Management Strategy, to include consideration of any recommendations of the Cabinet or Audit Committee arising from any concerns since the original approval.

(ii) Cabinet

1. Developing and determining the Treasury Management strategy, Investment Strategy and MRP policy and recommending them to full Council - prior to the start of the new financial year.
2. Receipt of a midyear report on the Treasury Management Strategy and any concerns since the original approval and making recommendations to Council as appropriate.
3. Receiving, and reviewing reports on treasury management policies, practices, activities, and performance reports (based on quarterly reporting).
4. Approval of/amendments to the organisation's adopted clauses, treasury management policy statement;
5. budget consideration and approval;
6. approval of the division of responsibilities;

(iii) Audit Committee

1. Scrutinising the Council's Treasury Management Strategy, Investment Strategy and MRP policy, Treasury Management Policy Statement and Treasury Management Practices and making recommendations to Cabinet and Council as appropriate.

2. Receiving and reviewing monitoring reports (based on quarterly reporting) and making recommendations as appropriate.

APPENDIX 10 The Treasury Management Role of the Section 151 Officer

Chief Finance Officer (S151 Officer) responsibilities

- recommending clauses, treasury management policy for approval, detemining Treasury Management Practices, reviewing the same regularly, and monitoring compliance
- submitting regular treasury management policy reports
- submitting budgets and budget variations
- receiving and reviewing management information reports
- reviewing the performance of the treasury management function
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- ensuring the adequacy of internal audit, and liaising with external audit
- recommending the appointment of external service providers.

The above list of specific responsibilities of the S151 officer in the 2017 Treasury Management Code has not changed. However, implicit in the changes in both codes, is a major extension of the functions of this role, especially in respect of non-financial investments, (which CIPFA has defined as being part of treasury management). Namely:-

1. preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe (say 20+ years – to be determined in accordance with local priorities. Please also note that CIPFA has provided advice that it recognises that it may be too late in the current budget round for 2018/19 for many local authorities to produce a capital strategy this year.)

2. ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money

3. ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority

4. ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing

5. ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources

6. ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities

7. provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees .

8. ensuring that members are adequately informed and understand the risk exposures taken on by an authority

9. ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above

10. Creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following): -

- Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;

- Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;

- Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;

- Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;

- Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

At the time of writing 28 January 2018, the Governments update of investment regulations has not been released. More guidance on the detail of these changes will be included in the update of the CIPFA Publication *Treasury Management in the Public Services Guidance Notes for Local Authorities including Police and Fire Bodies*. This publication will be updated following the issue of the Statutory Guidance on Local Government Investments which was subject to consultation from November to December 2017.

Report to: **Cabinet**

Date of Meeting: **12 February 2018**

Report Title: **Discretionary Business Rate Relief Policy**

Report By: **Peter Grace (Chief Finance Officer)**

Purpose of Report

To approve a policy in respect of the level of Discretionary Business Rate Relief to be granted to certain defined ratepayers within Hastings Borough Council area.

Recommendation(s)

1. **To approve the attached policy.**
2. **To authorise the Assistant Director of Financial Services and Revenues (Chief Finance Officer), in consultation with the leader of the Council, to make any necessary amendments to the policy, where the total relief being granted is potentially going to be above or below the level of grant.**
3. **To delegate authority to the Chief Finance Officer to approve the schemes in future years.**

Reasons for Recommendations

The Council needs a policy to set out how they will allocate the grant monies received from central government to help local businesses affected by the revaluation.

Introduction

Background

1. The Local Government Finance Act 1988, and subsequent legislation, requires the Council to grant discretionary relief for premises occupied by Charities and similar organisations that own or occupy them wholly or mainly for charitable purposes. Likewise, certain premises situated within a rural settlement area will be eligible for relief. Powers have also been granted under the Localism Act 2011, which allow for the granting of discretionary rate relief to any premises where the Council feels the granting of such relief would be of benefit to the local community.

2. In addition to the above, Central Government is keen that in certain cases, assistance should be provided to businesses that have had increases in their rate liability due to the revaluation of premises in April 2017. In these cases, and where the Council meets Central Government guidelines, grants are available under section 31 of the Local Government Act 2003.

3. The Council has been awarded grants from Central Government covering a four year period, to assist businesses affected by the revaluation referred to above.

   - Year 1, (2017/18) a grant of £230,000
   - Year 2, (2018/19) a grant of £112,000
   - Year 3, (2019/20) a grant of £46,000
   - Year 4, (2020/21) a grant of £7,000

4. Whilst the Council is obliged to grant relief to premises which fall within the mandatory category, the Council also has powers to grant discretionary relief and reductions to ratepayers, subject to certain criteria being met.

Discretionary Business Rate Relief Policy

5. Although funding has been allocated for four years, due to potential legislative changes and the significant reductions in grant over the four year period, the policy needs to be reviewed annually.

6. The attached document (appendix1) sets out the proposed Discretionary Business Rates Relief policy which will be effective from 1 April 2018. This policy replaces the existing policy.

Antipoverty

7. This additional financial support, particularly for small businesses, will help secure local jobs.

Wards Affected

All wards

Policy Implications

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

Equalities and Community Cohesiveness	
Crime and Fear of Crime (Section 17)	
Risk Management	
Environmental Issues	
Economic/Financial Implications	YES
Human Rights Act	
Organisational Consequences	
Local People's Views	
Anti-Poverty	YES

Additional Information

Appendix 1 - Discretionary Business Rate Relief Policy

Appendix 1a - Exclusions from scheme

Officer to Contact

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Officer Telephone Number 01424 451556

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Hastings Borough Council Appendix 1
Discretionary Business Rate Relief Scheme Policy
April 2018

Purpose of the Policy

1. The purpose of this policy is to set the level of Discretionary Business Rate Relief to be granted to certain defined ratepayers within the Council's area.

   Although funding has been allocated for four years, i.e. 2017/18 through to 2020/21, this policy is in respect of 2018/19 only and replaces the 2017/18 policy.

Criteria

2. The scheme is designed to assist ratepayers who have suffered significant increases in rate liability due to the 2017 revaluation and the subsequent increase to their Rateable Value.

3. Relief will not be awarded where mandatory relief is already granted.

4. In assessing any potential entitlement to an award under this scheme, the Council will compare the net amount payable by the ratepayer as at 31st March 2017 (after any reliefs and reductions) and the net amount payable by the ratepayer at 1st April 2017, again taking into account any transitional relief and any other reliefs and reductions.

5. Relief will only be given to premises which are liable for occupied rates. No relief within this scheme will be granted for unoccupied premises.

6. Relief will only be granted to ratepayers who were in occupation at 31st March 2017 and in occupation on 1st April 2017 and for each day subsequently.

7. Ratepayers taking up occupation after 1st April 2017 will **not** be eligible for relief on the basis that new ratepayers would not have suffered from increases due to a revaluation.

8. Relief will be targeted to local businesses and not those businesses that are national or multi-national in nature. Local businesses are, for the purposes of this scheme, those which have premises wholly in the Council's area.

9. Relief may be awarded for more than one premise as long as **all** other criteria are met.

10. Relief will **not** be awarded where mandatory relief is awarded or where the ratepayer has applied for a reduction under S44a of the Local Government Finance Act 1988.

11. Relief will **not** be awarded for hereditaments that are wholly or mainly used for:
    - financial services e.g. banks, building societies, cash points, bureau de change, payday lenders, betting shops, pawn brokers etc
    - medical services e.g. hospitals, doctors, dentists etc
    - professional services e.g. accountants, estate agents, tax advisers, insurance agents etc.

The above list is not exhaustive. A full list is attached (Appendix 1a)

Applications for relief under this scheme

12. The Council identified ratepayers during 2017/18 who qualified for assistance in year 1 of the scheme. Unfortunately as the amount of relief available in 2018/19 (year 2) is reduced to £112,000 (£230,000 in year 1), the policy needs to be reviewed to reflect the decreased amount of grant available.

13. There will be no requirement to complete an application form. Current recipients will be automatically awarded relief in 2018/19 at a reduced level as per the details below.

Amount of Relief

Year 2 (2018/19) - £112,000 in total available

14. All current recipients of the relief, provided they still meet the criteria, will automatically be awarded an amount that is equivalent to 45% of the amount they were granted in respect of 2017/18.

Granting of Relief

15. The Council will issue the ratepayer with a revised bill in early April 2018.

16. A letter will accompany the bill which will include:
    - any planned review dates;
    - the appeal rights, and
    - a State Aid De Minimis declaration to be signed by the ratepayer.

State Aid De Minimis

17. State Aid is financial support provided to business organisations by the State.

18. Any business rate relief awarded is included in the De Minimis Threshold which is currently around £175,000 (200,000 euros).

Appeals

19. Where the council receives an appeal from the ratepayer regarding the amount of any discretionary relief, the case will be reviewed by the Revenues and Benefits Service Manager.

    The ratepayer will be notified of the outcome.

20. Where the ratepayer continues to be aggrieved by the decision, the case will be referred to the Council’s Chief Finance Officer (Section 151 Officer) for review.

21. Ultimately the formal appeal process for the ratepayer is Judicial Review although the council will endeavour to explain the decision fully and openly with the ratepayer.

Review

22. The policy for granting relief will be reviewed annually or sooner where there is a substantial change to the legislation or funding rules. At such time, a revised policy will be brought before the relevant Committee of the council.

23. The Revenues and Benefits Service Manager will submit a report on a six-monthly basis to the Section 151 Officer summarising the position on how much has been granted.

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Appendix 1(a)

Discretionary Business Rates Relief Scheme

Types of business or sectors to be **excluded** from scheme

- Empty & vacant units
- Estate & letting agents
- Betting & gambling premises
- Doctors & GP surgeries
- Banks & building societies
- Cash machines/ATMs
- Accountants, insurance agents and financial advisors
- Foreign exchange
- Pawnbrokers and pay day lenders
- Travel agents
- Solicitors and law agencies
- Post Office and delivery sorting offices
- Charity shops
- Telecommunications network facilities
- Car parks
- Local Authorities
- Educational establishments

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