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Cabinet Agenda

Monday, 7 January 2019 at 6.00 pm

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

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a)	Business Rate Pilot - 75% retention (Peter Grace, Assistant Director, Financial Services and Revenues) *(Cabinet decision)*	109 - 116

CABINET

3 DECEMBER 2018

Present: Councillors Chowney (Chair), Forward (Vice-Chair), Batsford, Rogers S Beaney, Lee and Patmore

Apologies for absence were noted for Councillor Fitzgerald

116. DECLARATION OF INTERESTS

There were no declarations of interest.

117. NOTIFICATION OF ANY URGENT ITEMS

Item 11, Commercial Property Purchases and Item 12, Provision of Cash Flow Loan to White Rock Neighbourhood Ventures to Support the Purchase Process of the Observer building, were both items brought to cabinet on urgency provisions.

118. MINUTES OF THE CABINET MEETING HELD ON 5 NOVEMBER 2018

RESOLVED that the minutes of the Cabinet meeting held on 5 November 2018 be approved as a correct record.

119. MEMBERS' ALLOWANCE INDEX REVIEW

Jane Hartnell, Director of Corporate Services and Governance presented a report on the Members' Allowance Index Review. The purpose of this was to present the report of the Independent Remuneration Panel (IRP) to Cabibnet and seek theirendorsement before the report is put to Full Council for consideration.

The Council's Independent Remuneration panel (IRP) last sat in 2014 to consider Members' Allowances. Under the Local Authorities (Members' Allowances) (England) Regulations 2003, the local authority must not rely on the annual index that it uses for more than four years. The IRP was reconvened in early October 2018.

The recommendations that the IRP put forward are set out in the report and attached appendix.

Councillor Rogers proposed the recommendations, which was seconded by Councillor S Beaney.

RESOLVED (unanimously) that:

1. **The recommendations made by the Independent Remuneration panel be referred to Full Council for consideration.**

Reason for this Recommendation was:

To present the outcome of the review the index applied to calculate Members' allowances in accordance with the provisions of the Local Authorities (Members Allowances) (England) Regulations 2003 which Full Council will need to consider.

120. HASTINGS COUNTRY PARK VISITOR CENTRE

Murray Davidson, Environment and Natural Resources Manager presented an update to Cabinet on the results of the re-tendering process for the construction of a new visitor centre at Hastings Country Park and sought approval to let a contract to the preferred bidder.

On 21 May Cabinet approved an increased budget for the visitor centre project reflecting additional EU funding and associated match funding from the council. The authority was also delegated to senior management to let a contract to a named principal contractor co-ordinating a consortium of specialist contractors/artisans to build the new visitor centre. These are specialists in this type of building.

The bid was said to still be within budget, and due diligence had thoroughly been done.

Thanks were given to officers for their work on the project.

Councillor Rogers proposed these recommendations, which was seconded by Councillor Batsford.

RESOLVED (by 6 for, 2 against) that:

1. **Delegate authority to the Director of Operational Services and Assistant Director Financial Services and Revenues in consultation with the Lead councillor for Environment, Safety and Equalities to award the contract to build the visitor centre at Hastings Country Park to SIA Design and Build.**

Reasons for this Recommendation were:

Following Cabinet decision of 21 May 2018 to award a contract to a named principal contractor and a consortium of straw bale builders to build the visitor centre at Hastings Country Park, the structural and commercial workings of the consortium could not be finalised in an acceptable time.

We therefore re-tendered the project through the Sussex Procurement Hub and a different contractor was identified as the preferred bidder. A Cabinet decision is therefore now required to let the contract to this new principal contractor.

121. JOINT WASTE CONTRACT TENDERS

Mike Hepworth, Assistant Director, Environment and Place presented a report on the Joint Waste Contract Tenders. This was to update Cabinet on the final phase of the East Sussex Joint Waste Contract procurement project, which was reported to the East Sussex Joint Waste and Recycling Committee at their meeting on 30th

November 2018, where Hastings was represented by Councillors Chowney and Fitzgerald.

On the 30th November the East Sussex Joint Waste and Recycling Committee (JWRC) considered a report setting out an analysis of the 3 tenders and making a recommendation for contract award.

The service would be split between contracted street cleansing and in-house refuse collection, which would make it easier to specify, due to the latter being a scheduled occurrence.

The recommendations were proposed by Councillor Chowney, which was seconded by Councillor Rogers.

It was noted that this was an item going to Full Council, as stated in the report.

RESOLVED (unanimously) that:

That Cabinet recommend that Full Council should approve:-

1) the appointment of Contractor A for the Waste Collection, Recycling, Street and Beach Cleaning and Associated Services Contract (excludes Street and Beach Cleaning and Bulky Household Waste Collection for Hastings BC);

2) that the Director of Operational Services in consultation with the Lead Councillor for Environment and Place and Equalities, be authorised to finalise details relating to the implementation of the contract and enter into contract with Contractor A;

3) the authorisation of the Lead Director of the Administering Authority of the joint waste project to notify Contractors of the intent to award the contract;

4) financial provision of £55,215 per annum (subject to regular review in line with costs) to fund the centralised partnership client costs;

5) financial provision to fund the Hastings proportion of the total contract price as set out in the Joint Waste and Recycling Committee report attached to the associated Part Two report, including allowance for adjustments at the start of the contract, and for ad-hoc requests and container purchases throughout the contract period;
6) that arrangements be made to inform residents about the collection system to be implemented from 29 June 2019;

7) provision be made for the review of customer service processes, enhancement of ICT systems and mobile equipment for council staff as necessary;

8) that suitable provision should be made for the client roles and liabilities under the contract.

Reasons for these Recommendations were:

The recommendations are made based upon the results of the joint waste procurement process, which has been thorough and robust. It is essential that that there is continuity of service for the Council's refuse and recycling services when the current contract with Kier Environmental Services Ltd ends on 29 June 2019.

122. URGENT ITEMS (IF ANY)

123. COMMERCIAL PROPERTY PURCHASES

This item was brought to Cabinet under urgency provisions.

Peter Grace, Assistant Director, Financial Services and Revenues provided a report to consider the potential purchase of up to three sites. One is due to be auctioned on 4 December 2018.

Any comments of the Income Generation Board would be advised verbally to Cabinet after dates were advised.

The Chair decided to vote on each possible property purchase separately, as shown in the resolution below.

This recommendation was proposed by Councillor Chowney, which was seconded by Councillor Batsford.

RESOLVED that:

(6 for, to 2 against that)

1. **Cabinet consider whether the Council should purchase up to three further Commercial Properties given the uncertainties around Brexit, and the extent of acquisitions to date.**

This recommendation was proposed by Councillor Chowney, which was seconded by Councillor Forward.

(6 for, to 2 against) that:

2. **That Delegated authority is given to the Chief Finance Officer in consultation with the leader of the Council to purchase site (i) as detailed in the part 2 report up to a sum as detailed in the report.**

This recommendation was proposed by Councillor Chowney, which was seconded by Councillor Batsford

(6 for, to 2 against) that:

3. **That Delegated authority is given to the Chief Finance Officer in consultation with the leader of the council for the Estates Manager to let the agent know that the council is still interested in purchasing property (ii) as detailed in the part 2 report.**

This recommendation was proposed by Councillor Chowney, which was seconded by Councillor Lee.

(Unanimously) that:

4. **That any progress on property (iii) as detailed in the part 2 report be halted, but if the property becomes available again, a further report be brought to Cabinet.**

The reasons for these recommendations were:

The first site has the whole of the ground floor empty, and has been for a considerable time. It is considered that there will be opportunities for the Council to maximise the benefit to the community of this building by bringing it fully into use, either through direct letting or with the assistance of external grant assistance. This is an important building for the town and the Council to help secure employment opportunities and secure business rate income in the future.

The second site presents significant employment opportunities within St Leonards and likewise a significant Business Rate income. Whilst there may be opportunities to redevelop the site in future years the need to retain the site for employment space is apriority, as is the need to retain Business Rate income. Some of the building is only partially occupied giving the opportunity to relook at usage and the potential for the Council to be directly involved in driving greater economic regeneration.

The third site, for which the Council already owns the freehold, is expected to require capital investment in the near future to help ensure the continued economic vitality of this part of the town. The Council is currently able to access the funding required to do so, in order to provide shop/business units and preserve jobs and generate Business Rate income.

The Council will need to ensure business rate growth in the future – business rates replacing government grant funding. The Council would have the opportunity to have a direct involvement in the long term future of these sites to help ensure the continued economic and regeneration of the town. The acquisition would also assist the Council to further diversify its property holdings and manage the overall risk exposure within the portfolio as well as secure additional income streams either directly or through business rates retention.

124. PROVISION OF CASH FLOW LOAN TO WHITE ROCK NEIGHBOURHOOD VENTURES TO SUPPORT THE PURCHASE PROCESS OF THE OBSERVER BUILDING

Simon Hubbard, Director of Operational Services presented a report on the White Rock Neighbourhood Ventures short term cash flow loan. This report proposes that the Council support the redevelopment of the Observer Building by providing a short term loan to White Rock Neighbourhood Ventures (WRNV). WRNV will pay back the loan within a three month period.

The Observer Building was formerly a printing works and offices for the Observer newspaper and has been vacant for almost 30 years. It is a multi-storey building located on the south side of Cambridge Road, bounded by Prospect Place to the west and an alleyway to the rear of Claremont to the east. It is located within the Hastings Town Centre Conservation Area.

This will be given under the De Minimis regulations. WRNV has confirmed that they have not used De Minimis for other programmes over the past three rolling fiscal years.

An amendment was proposed for recommendations 1 and 3 to be removed, and the remaining recommendation to be amended as seen in the resolution below.

This was proposed by Councillor Chowney which seconded by Councillor Batsford.

RESOLVED (by 6 for, 2 against) that:

1. **Cabinet delegate authority to the Director of Operational services, Chief Finance Officer and Chief Legal Officer in conjunction with the Leader of the Council to agree terms of the loan once due diligence work has been completed to the council's satisfaction and after exploring a contribution to meet the difference in interest rates to the loan is concluded.**

Reasons for this Recommendation were:

White rock Neighbourhood Ventures Ltd, owner of Rock House, is currently finalising the purchase of the Observer Building. This building has had minimal economic impact in the town centre for thirty three years and the ambition of WRNV to revitalise the building through development of mixed use units including workspace, leisure and housing is supported by the council.

The loan is to cover a period of three months, and will cover the VAT applicable on the purchase price, a sum detailed in the part 2 report which will be repaid to WRNV within 3 months, and in turn the loan from HBC will be repaid by WRNV by the 31 March 2018.

Due to other constraints on staff time and speed at which we have been asked to progress the decision with regard to the loan, not all due diligence and risk assessment has been completed, therefore officers are asking for a decision in principle, whilst this work is completed.

Should the due diligence show that this proposal is unviable no loan will be made.

(The Chair declared the meeting closed at 8.25pm)

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Agenda Item 4

Agenda Item No:

Report to: CAP
Cabinet

Date of Meeting: 17 December 2018
7 January 2019

Report Title: **Treasury Management - Mid Year Report 2018-19**

Report By: Peter Grace
Chief Finance Officer

Purpose of Report

This report advises the Cabinet of the Treasury Management activities and performance during the current year. It provides the opportunity to review the Treasury Management Strategy and make appropriate recommendations to Council to take account of any issues or concerns that have arisen since approving it in February 2018.

Recommendations

1. **Cabinet agree the Mid Year report.**

Reasons for Recommendations

The Code of Practice on Treasury Management requires, as a minimum, a mid-year review of the Treasury Management Strategy and performance. This is intended to highlight any areas of concern that have arisen since the original strategy was approved (February 2018). It is a requirement of the Code of Practice that the Mid-year review is considered by Cabinet and full Council.

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

Background

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

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

3. Accordingly, treasury management is defined as:

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

Introduction

4. The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017) was adopted by this Council In February 2018.

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

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

   - An economic update for the first part of the 2018/19 financial year;

- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure (prudential indicators);
- A review of the Council's investment portfolio for 2018/19;
- A review of the Council's borrowing strategy for 2018/19;
- A review of any debt rescheduling undertaken during 2018/19;
- A review of compliance with Treasury and Prudential Limits for 2018/19.

7. The Committee will need to determine whether there are any issues that require the amendment of the Council's Treasury Management Strategy or Investment Policy and that they therefore wish to draw to the attention of Council. The Audit Committee will consider a similar report at their meeting on 23 January 2019.

Economic Update (at 30 September 2018)

8. UK. The first half of 2018/19 saw UK economic growth post a modest performance, but sufficiently robust for the Monetary Policy Committee, (MPC), to unanimously (9-0) vote to increase Bank Rate on 2nd August from 0.5% to 0.75%. Although growth looks as if it will only be modest at around 1.5% in 2018, the Bank of England's August Quarterly Inflation Report forecast that growth will pick up to 1.8% in 2019, albeit there were several caveats – mainly related to whether or not the UK achieves an orderly withdrawal from the European Union in March 2019.

9. Some MPC members have expressed concerns about a build-up of inflationary pressures, particularly with the pound falling in value again against both the US dollar and the Euro. The Consumer Price Index (CPI) measure of inflation rose unexpectedly from 2.4% in June to 2.7% in August due to increases in volatile components, but is expected to fall back to the 2% inflation target over the next two years given a scenario of minimal increases in Bank Rate. The MPC has indicated Bank Rate would need to be in the region of 1.5% by March 2021 for inflation to stay on track. Financial markets in September were pricing in the next increase in Bank Rate for the second half of 2019.

10. As for the labour market, unemployment has continued at a 43 year low of 4% on the Independent Labour Organisation measure. A combination of job vacancies hitting an all-time high in July, together with negligible growth in total employment numbers, indicates that employers are now having major difficulties filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to 2.9%, (3 month average regular pay, excluding bonuses) and to a one month figure in July of 3.1%. This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 0.4%, near to the joint high of 0.5% since 2009. (The previous high point was in July 2015.) Given the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. This tends to confirm that the MPC were right to start on a cautious increase in Bank Rate in August as it views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy. However, the MPC will need to tread cautiously before increasing Bank Rate again, especially given all the uncertainties around Brexit.

11. In the political arena, there is a risk that the current Conservative minority government may be unable to muster a majority in the Commons over Brexit. If, however, the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

12. USA. President Trump's massive easing of fiscal policy is fuelling a (temporary) boost in consumption which has generated an upturn in the rate of strong growth which rose from 2.2%, (annualised rate), in quarter 1 to 4.2% in quarter 2, but also an upturn in inflationary pressures. With inflation moving towards 3%, the Fed increased rates another 0.25% in September to between 2.00% and 2.25%, this being four increases in 2018, and indicated they expected to increase rates four more times by the end of 2019. The dilemma, however, is what to do when the temporary boost to consumption wanes, particularly as the recent imposition of tariffs on a number of countries' exports to the US, (China in particular), could see a switch to US production of some of those goods, but at higher prices. Such a scenario would invariably make any easing of monetary policy harder for the Fed in the second half of 2019.

13. **EUROZONE.** Growth was unchanged at 0.4% in quarter 2, but undershot early forecasts for a stronger economic performance in 2018. In particular, data from Germany was mixed and it could be negatively impacted by US tariffs on a significant part of manufacturing exports e.g. cars. For that reason, although growth is still expected to be in the region of 2% for 2018, the horizon is less clear than it seemed just a short while ago.

14. 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.

15. **JAPAN** - has been struggling to stimulate consistent significant GDP growth and 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.

Interest rate forecasts

16. The Council's treasury advisor, Link Asset Services, provided the following forecast in September:

Interest rate Forecasts – September 2018 to March 2021

Link Asset Services Interest Rate View											
	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate View	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.50%	1.50%
3 Month LIBID	0.75%	0.80%	0.80%	0.90%	1.10%	1.10%	1.20%	1.40%	1.50%	1.60%	1.60%
6 Month LIBID	0.85%	0.90%	0.90%	1.00%	1.20%	1.20%	1.30%	1.50%	1.60%	1.70%	1.70%
12 Month LIBID	1.00%	1.00%	1.00%	1.10%	1.30%	1.30%	1.40%	1.60%	1.70%	1.80%	1.80%
5yr PWLB Rate	2.00%	2.00%	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%
10yr PWLB Rate	2.40%	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%
25yr PWLB Rate	2.80%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.50%	3.50%
50yr PWLB Rate	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%

17. The flow of generally positive economic statistics after the end of the quarter ended 30 June meant that it came as no surprise that the MPC came to a decision on 2 August to make the first increase in Bank Rate above 0.5% since the financial crash, to 0.75%. However, the MPC emphasised again, that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate, (where monetary policy is neither expansionary of contractionary), than before the crash; indeed they gave a figure for this of around 2.5% in ten years' time but they declined to give a medium term forecast. Link Asset Services do not think that the MPC will increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. They also feel that the MPC is more likely to wait until August 2019, than May 2019, before the next increase, to be followed by further increases of 0.25% in May and November 2020 to reach 1.5%. However, the cautious pace of even these limited increases is dependent on a reasonably orderly Brexit.

The Council's Treasury Position – 30 September 2018

Borrowing

18. The Council's debt and investment position at the 30 September 2018 was as follows:

Table 1 – Borrowing

Debt	1 April 2018 Principal	Rate	Maturity	30 Sept 2018 Principal	Rate
PWLB	£7,500,000	4.80%	2033	£7,500,000	4.80%
PWLB	£2,000,000	0.61% (Var)	2019	£2,000,000	0.74% (Variable)
PWLB	£909,027	3.78%	2044	£909,027	3.78%
PWLB (Optivo)	£1,788,235	3.78%	2044	£1,788,235	3.78%
PWLB (FT) (Annuity)	£243,901	1.66%	2026	£229,583	1.66%
PWLB	£1,000,000	2.92%	2056	£1,000,000	2.92%
PWLB	£1,000,000	3.08%	2046	£1,000,000	3.08%
PWLB	£1,000,000	3.01%	2036	£1,000,000	3.01%
PWLB	£1,000,000	2.30%	2026	£1,000,000	2.30%
PWLB	£2,000,000	2.80%	2054	£2,000,000	2.80%
PWLB	£1,000,000	2.42%	2028	£1,000,000	2.42%
PWLB	£2,000,000	2.53%	2057	£2,000,000	2.53%
PWLB	£2,000,000	2.50%	2059	£2,000,000	2.50%
PWLB	£2,000,000	2.48%	2060	£2,000,000	2.48%
PWLB (Annuity)	£7,221,917	2.53%	2057	£7,168,163	2.53%
PWLB (Annuity)	£8,350,000	2.72%	2057	£8,291,664	2.72%
Total Debt	**£41,013,080**	**3.01%**		**£40,886,672**	**3.01%**

19. At the 30 September 2018 the Council had debt amounting to £40.89m (PWLB debt).

20. 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.

21. Part of the Council's treasury activities is to address the funding requirements for the Council's borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, through the Public

Works Loan Board [PWLB] or the money markets), or utilising temporary cash resources within the Council.

22. 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.

23. The total CFR can also be reduced by:

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

24. The Council's 2018/19 MRP Policy was approved as part of the Treasury Management Strategy Report for 2018/19 by Council in February 2018.

25. The Council's CFR for the year is shown below, and represents a key prudential indicator. It includes leased items on the balance sheet, which increase the Council's borrowing need (albeit no additional borrowing is actually required against such items).

Table 2 CFR: General Fund	**2017/18 Actual £000's**	**2018/19 Revised Estimate £000's**
Opening balance	30,078	39,493
Add unfinanced capital expenditure	11,160	23,973
Less Repayments (LAMS)	-1,028	0
Less MRP	-717	-1,304
Closing balance	39,493	62,162

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

27. The Council's long term borrowing must only be for a capital purpose. This essentially means that the Council is not borrowing to support revenue expenditure. Net borrowing should not therefore, except in the short term, have exceeded the CFR for 2018/19 plus the expected changes to the CFR over 2019/20 and 2020/21 from financing the capital programme. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs in 2018/19.

Table 3 Internal Borrowing	2017/18 Actual £000's	2018/19 (Est) As at 30.9.18 £000's
Capital Financing Requirement	39,493	62,162
External Borrowing	41,013	40,887
Net Internal Borrowing	**(1,520)**	**21,275**

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

Investments in 2018-19

29. The table below provides a snapshot of the investments and deposits held on 30 September 2018. 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
Australia & NZ BCG Ltd	0.90%	29/08/2018	29/11/2018	5,000,000	Fixed
Birmingham City Council	1.05%	30/08/2018	28/08/2019	3,000,000	Fixed
Blackpool Borough Council	0.80%	28/09/2018	28/01/2019	2,000,000	Fixed
Blaenau Gwent CBC	0.50%	25/06/2018	03/10/2018	2,000,000	Fixed
DBS Bank Ltd London	0.77%	18/09/2018	18/10/2018	3,000,000	Fixed
Eastleigh Borough Council	0.65%	24/08/2018	25/02/2019	5,000,000	Fixed
London Borough of Harrow	0.75%	10/09/2018	10/04/2019	2,000,000	Fixed
Barclays Corporate	0.40%			2,998,426	Call
NAT West	0.05%			1,720	Call
Santander	0.40%			505	Call
			Total	**25,000,651**	

30. As at 30 September 2018 three longer term loans are outstanding to other organisations.

Table 5 – Loans to Other Organisations

3rd Party Organisations	Rate/ Return (%)	Start Date	End Date	Principal £	Term
Amicus /Optivo	3.78	04/09/2014	02/09/2044	1,788,235	Fixed
The Foreshore Trust	1.66	21/03/2016	20/03/2026	229,583	Annuity
The Source	2.43	17/12/2015	16/12/2024	22,763	Annuity
			Total	2,040,581	

31. 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.

32. The overall investment performance for the first 6 months of 2018/19 provided an average return of 0.78% (2017/18 0.35%).

33. The total interest receivable for the first 6 months is £82,944 (2017/18 £45,000) These figures exclude the interest receivable in respect of the three loans to other organisations and income from the Property Fund investment.

The Council's Capital Position (Prudential Indicators)

34. 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
- Compliance with the limits in place for borrowing activity.

Prudential Indicator for Capital Expenditure

35. This table shows the revised estimates for capital expenditure for 2018/19.

Table 6 : Forecast Capital Expenditure (Net)

Capital Expenditure (Net) by Service	2018/19 Original Estimate (net) £'000	2018/19 Revised Estimate (net) £'000
Corporate Resources	20,907	17,180
Operational Services	7,784	6,793
Total Capital Expenditure	28,691	23,973

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

37. 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 being financed from borrowing in the absence of other resources..

38. The larger schemes in the capital programme which are expected to require financing in 2018/19 from borrowing are:-

    (1) Commercial property purchases estimated at £16,595m

    (2) Loans to Hastings Housing Company Ltd estimated at £5.7m

    (3) Country Park Visitors Centre estimated at £163,000

    (4) ERP system estimated at £465,000

    (5) Temporary accommodation estimated at £620,000

39. Impact on the prudential indicators

    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). The position at 30 September 2018 is shown in Table 3 above, and highlights that there was an underlying financing requirement of some £21.275m.

40. Compliance with the limits in place for borrowing activity.

    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

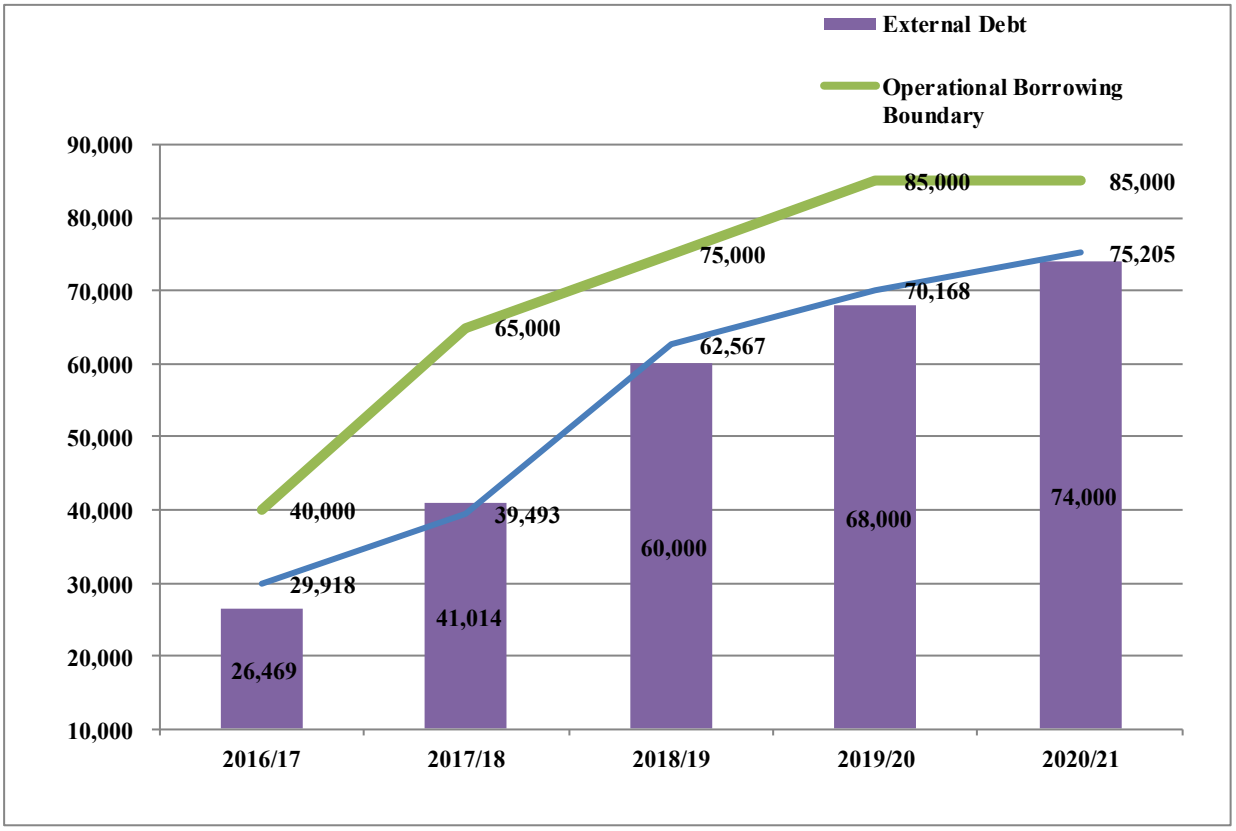
the total of CFR in the preceding year plus the estimates of any additional CFR for 2018/19 and next two financial years.

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. In February 2018 the Authorised limit was increased by £10m to allow for temporary borrowing for cash flow purposes, lease liabilities and any debt rescheduling or guarantees agreed by Council. The Operational Boundary limits remained unaltered.

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

18. **Graph: Estimated CFR/ Debt and Operational Debt Boundary at year end**



Borrowing Strategy

43. The Council had some £40.89m of PWLB debt at 30 September, and could potentially borrow up to a level of £62.5m (estimated CFR at 31 March 2019). This figure does not take account of any new capital spending in future years which could potentially be funded by new borrowing. It should be noted that a £2m variable rate PWLB loan is due to be repaid in January 2019. Additional borrowing has taken place in December 2018 (further £6m as at 12 December 2018)

44. The interest rate forecasts from the Council's treasury advisers identify that it is unlikely that the base rate will increase until September 2019. Borrowing rates available increased by some 10bps from the beginning of April until the end of September. Whilst the borrowing rates are attractive on a historical basis the difference between the return on investment and the cost of borrowing remains – the additional revenue cost falling on the Council taxpayer.

45. 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.

46. The plans for income generation require substantial new borrowing by the Council in the future and 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.

Debt Rescheduling

47. The Council 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 reviewed on the 27 September 2017 the early repayment cost of the £7.5m (4.8%) PWLB loan, maturing in 2033, would amount to £3,177,343. No debt rescheduling is being contemplated at present as the interest rate differences are similar to that of a year ago.

Investment Strategy

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

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

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

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

Property Fund

52. 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 performance is detailed below:

CCLA - LA's Property Prices and Dividend yields						
End of	**Aug-18**	**Jun-18**	**Mar-18**	**Dec-17**	**Sep-17**	**Apr-17**
Offer Price p	324.40	324.10	322.40	319.44	314.48	307.19
Net Asset Value p	303.89	303.61	302.01	299.24	294.60	287.77
Bid Price p	299.18	298.90	297.33	294.60	290.03	283.31
Dividend* on XD Date p		3.28	3.21	3.38	3.34	
Dividend* - Last 12 Months p	13.64	13.64	13.70	13.71	13.13	13.19
Dividend Yield on NAV %	4.49	4.49	4.54	4.58	4.46	4.58
Fund Size £m	1,046.5	1,027.7	976.3	930.8	836.2	710.2

53. The dividend yield is around 4.9% on the net asset value, which results in quarterly cash dividends of around £21,000. Full year dividends are estimated at around £84,000.

54. Capital Value

Units (651,063)	**Aug-18**	**Jun-18**	**Mar-18**	**Dec-17**	**Sep-17**	**Apr-17**
Mid Market Price(£)	1,978,515.35	1,976,692.37	1,966,275.37	1,948,240.92	1,918,031.60	1,873,564.00
Bid Price (£)	1,947,850.28	1,946,027.31	1,935,805.62	1,918,031.60	1,888,278.02	1,844,526.59

The Capital value increased by some 4.95% per annum between April 2017 and March 2018 and that trend is currently continuing. It is important that this is continued to be viewed as a longer term investment (5 years plus) if the original Capital value is to be recovered.

Compliance with Treasury Limits

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

Financial Implications

56. The Council's 2018/19 budget estimated a 0.50% return on investments. With the 0.25% increase in Bank Base Rate in August 2018 interest rates on investments rose

slightly and the Council's actual average rate of return to 30 September was 0.78% (excluding Property Fund and other loans made).

Future Changes

57. The Treasury Management Code of Practice (Cipfa) and the Prudential Code for Capital Finance were revised in late 2017/18, and the requirement for a new strategic planning document introduced – the "Capital Strategy" which seeks to bridge the perceived gaps in understanding between the Capital programme, funding thereof and Treasury Management. This will need to be agreed by full council prior to the start of 2019/20.

58. The 2019/20 Treasury Management Strategy suite of reports will be considered by the Audit Committee on the 23 January 2019 and thereafter considered by Cabinet and then by full Council on 20 February 2019 in conjunction with the budget papers.

Risk Management

59. 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 claims, Business Rate claims and appeals, 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 cash backed reserves to ensure the Council's ability to deliver key services is not jeopardised.

60. 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.

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

Wards Affected

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

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Area(s) Affected

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

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Policy Implications

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

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

Officer to Contact

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

Agenda Item 5

Report to: **Cabinet**

Date of Meeting: **7 January 2019**

Report Title: **Council Tax Reduction Scheme 2019/20**

Report By: **Peter Grace, Assistant Director Financial Services and Revenues**

Purpose of Report

To update Members on the results of recent consultation, and to make a recommendation to full Council for the Council Tax Reduction Scheme (CTRS) 2019/20 in respect of working age customers.

Recommendation(s)

1. **To recommend to full Council that the preferred option in respect of the working age CTRS for 2019/20, is option 3.**
2. **To authorise the Assistant Director, Financial Services and Revenues to uprate allowances, as required, when announced by the Government, and any relevant changes to the Prescribed Regulations.**
3. **To approve the Council Tax Discretionary Reduction in Liability Policy for future years (Appendix 5)**

Reasons for Recommendations

The local authority is required to approve a Council Tax Reduction Scheme in respect of 2019/20 by 11 March 2019.

The recommended option retains 100% support for those most in need and at a total cost that is estimated to be similar to that of 2018/19.

Background

1. From April 2013, councils have been required to adopt a local CTRS to replace the national council tax benefit scheme, which was withdrawn on 31 March 2013.

2. The local scheme only applies to working age customers.

3. The council is required to review the scheme each year.

4. This report sets out the options being considered for 2019/20.

5. The council consulted on what is option 2 in this report and subsequently following the results has produced option 3.

Timetable of Next Steps

6. Whilst under the regulations the preferred scheme must be approved by 11 March 2019 at the latest, in practice, the scheme needs to be decided in January 2019 in order to determine the taxbase for the authority and to advise the other preceptors (East Sussex County Council, Fire Authority, Police & Crime Commissioner). Please see timetable below.

Action	Key milestone	Due date (provisional)	Responsible
Scheme option to be agreed and recommended to Cabinet	YES	7 January 2019	
Agreed option to be approved by Full Council	YES	13 February 2019	

Current Council Tax Reduction Scheme

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

   - set a minimum weekly award of £5
   - removed second adult rebate
   - increased non-dependant deductions

8. There are 9,978 people claiming CTR, of which 6,339 are of working age and 3,639 are pensioners. The amount that will be paid in council tax reduction for 2018/19 is in the region of £10.5m.

9. Hastings is the only East Sussex authority which has retained the original CTRS introduced in April 2013. If Hastings were to continue in 2019/20 with the same scheme, the amount paid out would be in the region of £11m.

10. It is therefore important to review the existing scheme in order to strike the right balance between protecting those on low incomes, and maintaining essential services in an environment of reduced funding.

11. To this end, the council engaged the services of Policy in Practice (PIP), a company who specialise in analysing the impacts of Welfare Reform. They also undertake modelling in respect of CTR schemes, by taking our data and applying known changes to benefits, tax and National Living Wage rates for the following year.

The options below are as a result of the modelling undertaken by PIP.

OPTION 1

12. To continue with the same scheme which would see costs increase to around £11m, an annual increase of up to £500,000 (£70,000 attributed to HBC). Even by retaining the existing scheme, 58 claimants would lose support due to allowance changes.

OPTION 2

13. Option 2 relates to the proposed changes we consulted on which were as follows:

- increase the taper used in the calculation from 20% to 30% (see Appendix 2 for explanation)
- introduce a flat rate deduction of £5.00 per week for adults aged 18 and over in the household who are neither the claimant nor the partner (see Appendix 2 for explanation)
- restrict the amount of CTR to Band D level for E, F,G, and H property (properties are banded A to H)
- introduce a flat rate earnings disregard of £17.50 per week (see Appendix 2 for explanation)
- remove the Family Premium (see Appendix 2 for explanation)
- introduce the 2 child restriction (see Appendix 2 for explanation).

14. If we were to introduce all the above changes, the annual spend on the scheme would be around £10.4m, representing an annual saving of around £100,000 (£14,000 for HBC).

15. As a result of these changes, 401 claimants would lose all support and 765 would lose more than £5 per week.

16. Compared to retention of the current scheme, employed households, of which there are 990, would see support reduce by 30% and self-employed households, of which there are 222, by 18%.

17. Those in receipt of out-of-work benefits, of which there are 5,127, would be relatively protected with support at similar levels to 2018/19, with the majority of them receiving 100% support.

18. There are currently 33 customers in Band E properties and 10 in Band F properties who would be impacted by the cap at Band D level.

OPTION 3

19. Following the consultation (more details follow later in this report), changes were made to the proposed scheme. Option three was therefore modelled on the following criteria:

- increase the taper used in the calculation from 20% to 25% (reduced from 30%)
- introduce a flat rate deduction of £5.00 per week for adults aged 18 and over in the household who are neither the claimant nor the partner
- restrict the amount of CTR to Band D level for E, F,G, and H property (properties are banded A to H)
- retain the existing earnings disregards (removes the flat rate of £17.50) which are:

single person -	£5.00
couple -	£10.00
disabled -	£20.00
Lone parent -	£25.00

- remove the Family Premium
- introduce the 2 child restriction

20. If we were to introduce the above changes, the annual spend on the scheme would be around £10.5m, which would be very similar to the current year spend and around a £100,000 increase on the scheme that was subject to the consultation.

21. As a result of these changes, 242 claimants would lose all support and 555 would lose more than £5 per week which is significantly less than those losing out under the scheme that was subject to consultation ie 401 and 765.

22. Compared to retention of the current scheme, employed households would see a reduction in support of 20% (30% at Option 2) and self-employed households would see a reduction of 15% (18% at Option 2).

23. As with Option 2, out of work households would be relatively protected with support levels at a similar level to 2018/19.

24. As with Option 2, 33 claimants in Band E properties and 10 in Band F properties would be impacted by the cap at Band D level.

25. A summary of the options are set out in the table below.

Year/Scheme	Projected number of claimants	Projected annual spend	Additional/reduced cost to HBC compared to 2018/19
2018/19 (current scheme)	9,978	£10.5m	n/a
2019/20 (retaining current scheme) Option 1	9,920	£11.0m	+£70K
2019/20 (scheme subject to consultation) Option 2	9,577	£10.4m	-£14K
2019/20 (amended consultation scheme) Option 3	9,736	£10.5m	£0.00

25. Attached at Appendix 1 is a comparison of weekly support levels broken down into various categories which should give a clearer indication of where the support would be lost.

Consultation

26. Full consultation with the public is required if changes are to be considered. Therefore a consultation exercise took place between 3 September and 28 October 2018.

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

28. Voluntary sector partners were also asked to complete the survey, as was East Sussex County Council, our main preceptor. As at the date of writing, a response is still awaited.

29. A letter was sent to all existing working age recipients as these are the people most likely to be affected by the proposed changes.

30. The consultation documentation including background information and the questions asked are attached at Appendix 2.

31. Some 268 responses were received. A summary of their responses is attached at Appendix 3.

32. Having reviewed the responses it was clear that there were two particular proposed changes which had a majority (over 50%) response rate of 'NO'. These were as follows:

    - do you agree we should increase the taper when calculating CTR?
    - do you agree that we should introduce a flat rate disregard of £17.50 for all earners?

33. Whilst the flat rate of £17.50 would be beneficial to single people and couples, it would have an adverse effect on single parents who currently receive a disregard of £25.00 per week.

34. Having taken into consideration the concerns highlighted, it was decided to run a further model, Option 3, which reduced the proposed income taper from 30% to 25% and removed the proposal to introduce a flat-rate earned income disregard, i.e. retain the existing disregards.

Equalities Impact Assessment

35. An Equalities Impact Assessment has been undertaken, a copy of which is attached at Appendix 4.

Discretionary Council Tax Liability Reduction Policy

36. Section 13A 1c of the Local Government Finance Act 1992 provides the Council with additional discretionary powers to enable it to reduce council tax liability where statutory discounts, exemptions and reductions do not apply.

37. The council already has a policy, please see Appendix 5.

38. This policy will help to mitigate the effect of the changes to the CTRS for those still experiencing severe financial hardship following the award of CTR.

Anti-Poverty

39. As there will be residents who will be financially affected by the changes proposed, the Discretionary Reduction in Liability Policy as described above, will help to minimise the impact in cases of exceptional hardship.

Conclusions

40. The following considerations have been made when trying to reach a view on what scheme should be approved for 2019/20 from the options set out in the report:

- Results from consultation
- Comments from voluntary sector organisations
- Impact on residents
- Potential impact on collection of council tax
- The council's budget position
- Continuation of 100% maximum CTR
- Computer system compatability

40. Taking the above into account, the preferred option would be Option 3, which delivers a scheme that is financially sustainable and minimises the impact on the majority of our residents.

41. However, it must be noted that the situation could change, for example, an increase in caseload, changes to the Universal Credit roll-out, which would have an impact on the cost projections.

42. Given the need to support those residents most in need, against the diminishing resources, along with the complexities of a changing benefit system, the determination of the scheme for 2019/20 has proved very time consuming and challenging.

43. The financial modelling undertaken by PIP has proved invaluable in identifying the most viable option.

Wards Affected

ALL

Implications

Relevant project tools applied? No

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

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

Additional Information

Appendix 1 - Comparison of weekly CTR
Appendix 2 - Background information to consultation
Appendix 3 - Summary of consultation results
Appendix 4 - Equalities Impact Assessment
Appendix 5 - Discretionary Reduction in Liability Policy

Officer to Contact

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

APPENDIX 1

Comparison of average weekly Council Tax Reduction Awards

Claimant Category	Current scheme	Option 1	Option 2	Option 3
All Working age	£19.80	£20.31	£18.81	£19.12
*Legacy benefits	£20.46	£21.28	£19.60	£19.87
Universal Credit	£18.41	£19.31	£18.00	£18.35
Band				
A	£18.41	£18.43	£17.87	£17.96
B	£21.98	£21.69	£19.50	£19.99
C	£23.81	£23.78	£20.42	£21.19
D	£26.79	£27.09	£23.32	£24.08
E,F,G,H	£30.77	£32.02	£21.84	£22.66
Tenure Type				
Private Tenant	£15.59	£17.78	£15.72	£16.36
Social Housing	£21.71	£27.73	£20.85	£21.03
Owner Occupier	£21.11	£21.16	£20.27	£20.34
Household type				
Single	£19.22	£19.45	£18.86	£18.78
Lone Parent	£19.61	£19.19	£17.14	£18.02
Couple	£26.34	£26.31	£23.34	£23.59
Couple with children	£23.52	£23.01	£20.16	£20.61
Economic Status				
Employed	£15.93	£14.73	£10.27	£11.73
Self-employed	£16.71	£14.79	£12.15	£12.63
Out-of-work benefits	£21.56	£22.00	£21.31	£21.32
Barriers to work				
Lone parent with child under 5	£19.09	£19.57	£18.24	£18.90
ESA	£21.30	£22.04	£21.09	£21.14
**DLA/PIP	£21.85	£22.56	£21.12	£21.24
Carers	£24.69	£25.54	£23.36	£23.58

* Legacy Benefits: Job-Seeker's Allowance, Working Tax Credit, **E**mployment & **S**upport **A**llowance, Child Tax Credit, Income Support

** **D**isability **L**iving **A**llowance, **P**ersonal **I**ndependence **P**ayment

APPENDIX 2

2019/20 Council Tax Reduction Scheme

Background Information to Consultation

Introduction

Council Tax is a local tax which helps pay for local services such as education, social services and waste and recycling collections, as well as contributing towards police and fire services. The amount you have to pay depends on the property band of your home, which is based on the value of the property.

Council Tax Benefit (CTB) was a means-tested benefit that helped people on low incomes pay their council tax. The government stopped CTB back in March 2013 and asked local authorities to develop a local scheme. As a result, in April 2013, as part of the Welfare Reform, CTB was replaced by Council Tax Reduction (CTR).

Currently the council pays out CTR of around £10.5million for 9,987 council tax payers, of which 3,668 are pensioners and 6,319 are working age customers.

Previously the council had been reimbursed, in full, for each person who received CTB, but under the CTR scheme, less funding is available and more of the cost is falling on local council tax payers. By 2019/20 the Council will have seen a reduction in the general grant of around £4 million.

The proposed scheme changes do not apply to pensioners as they have a separate scheme set by the Government.

Current Scheme

In 2013/14, the council made the following changes to the 'old' CTB scheme which resulted in some residents having to pay more towards their council tax.

- a minimum entitlement of £5 per week, that is any amount below £5 would not be paid
- removed the second adult rebate calculation
- increased non dependant deductions

The scheme has remained unchanged since 2013/14. In fact, we are the only authority in East Sussex that continues to pay up to 100% of the council tax charge. Our neighbouring authorities will only pay up to 80% of the full charge. Full details of the current scheme can be found at https://www.hastings.gov.uk/static/foi/FOI-70189735_Hastings_Borough_Council_-_Council_Tax_Reduction_Scheme.pdf

2019/20

Moving forward, due to the continuing reductions in government grants, the council needs to consider making changes to the scheme which would come into effect from 1 April 2019.

Hastings Borough Council has a budget shortfall for 2019/20 of £2.1m across all council services.

As council tax increases, the amount paid out in CTR also increases which is unsustainable for the council when funding is reducing. Changing the CTR scheme to only assist those most in need is one way of contributing towards the shortfall, however with the amounts involved other areas of council activities will also need to be considered.

With regards to making savings through the CTR scheme, the council has already considered and discounted three proposals because they would not deliver any savings and in all cases would increase the cost.

These proposals were:

- To continue with the current means tested scheme. Due to the normal council tax increases that take place each April, by retaining the existing scheme, the cost would increase by between £300,000 and £500,000, of which £42,000 to £70,000 would be borne by Hastings Borough Council. Therefore, this proposal was discounted.

- To introduce a discount scheme which would have three levels of discount ie 100%; 75%; 50%, depending on the taxpayers' income levels. As this scheme made an assumption that an increasing number of our residents would be getting Universal Credit, the scheme was discounted as the numbers transferring to Universal Credit are lower than expected and the cost would be higher. Given the potential simplicity of this scheme, this could be a proposal for future years.

- To introduce an income banded scheme which would have four levels of discount, ie 100%; 80%; 60%; 40% depending on the taxpayers' income and circumstances. This scheme was discounted as it was going to cost the council more money, not less. Until the removal of the 100% maximum award, income banded schemes are not seen as being cost effective.

In order to make savings, the council is proposing that changes are made to the existing means tested CTR scheme. The changes being considered are listed below. Details of the impact of these proposed changes are given in the consultation questionnaire to help you answer each of the questions. Overall the changes would reduce the amount of help available for people affected by the changes and could deliver savings in the region of £300,000 (depending on take up) of which the council would keep £42,000 with the rest going to East Sussex County Council, the Police and Fire and Rescue Services.

The proposed changes are:

- increase the taper used in the calculation from 20% to 30%
- introduce a flat rate deduction of £5.00 per week for adults aged 18 and over in the household who are neither the claimant nor the partner
- restrict the amount of CTR to Band D level for E, F,G, and H property (properties are banded A to H)
- introduce a flat rate earnings disregard of £17.50
- remove the Family Premium
- introduce the 2 child restriction

No decisions have been made yet on the proposals and the following questionnaire seeks your views and suggestions to help us come up with our 2019/20 scheme.

Council Tax Reduction Consultation Questionnaire

1. The Council is very keen that you have all the information you need to provide informed answers. The background information above explains the scheme and also how the scheme is currently funded. Please confirm that you have read this information:

   I have read the background information about the Council Tax Reduction scheme. Yes ☐ No ☐

Paying for the scheme

2. Do you agree that the Council should reduce the amount it pays out in CTR in order to help with the shortfall? Please select one answer only

   Yes ☐

   No ☐

   Don't know ☐

   Please use the space below to make any comments you have:

Proposals for making changes to the existing Council Tax Reduction scheme

Proposal 1 - Increase the taper used in the calculation from 20% to 30%

At present, when deciding how much CTR a person can get, we compare a person's income against the allowances as set by Government. If their income is equal to or less than the allowances, full CTR is awarded. If their income is above the allowances then we reduce the 100% amount by 20% of the extra income. The proposal is to change the 20% to 30%.

The advantages of this proposal are:

- there would be no change for working age residents with income up to the allowances.
- it would be a simple change to the system

The disadvantages of this proposal are:

- working age residents with income above the set allowances would see their CTR reduced. (Please see example below.)

Example: A working age resident has income of £120.00 per week. His set allowances are £73.10 and his weekly council tax is £25.00. Under the current scheme, as his income is £46.90 more than his allowances, he would be entitled to £25.00 less £9.38 (20% of £46.90) giving him a weekly entitlement of £15.62. The proposal would reduce his gross weekly council tax by £14.07 (30% of £46.90) which means he would only get £10.93 per week. This means that he would be £4.69 per week worse off. (10% of £46.90)

Proposal 1 - Question

Do you agree that we should increase the taper when calculating how much CTR a working age resident should get?

Yes ☐

No ☐

Don't know ☐

Please use the space below to make any comments you have about Proposal 1:

Proposal 2 - Introduce a flat rate deduction of £5.00 per week for adults aged 18 and over in the household who are neither the claimant nor the partner

At this time, adults living in the household, aged 18 and over, who are neither the claimant nor the partner are referred to as non-dependants. When calculating how much CTR to award to the claimant, an amount is deducted for each non-dependant depending on their age and circumstances, for example whether they are working or claiming a state benefit. Currently the deductions vary from £0.00 to £12.30 per week. The proposal is to make it a flat rate deduction of £5.00 per week.

The advantages of this proposal are:

- this would make it easier to administer as there would be no need to gather income details for the non-dependant, we would only need to know they are living at the property.

The disadvantages of this proposal are:

- whilst some customers would see their CTR increase, some, however, would see their CTR go down. (Please see example below.)

Example: A council taxpayer has her 25 year old son living with her. He is working and earns £150.00 per week. Currently we deduct £4.10 for the non-dependant. Under the proposal the deduction would increase to £5.00, therefore a reduction in entitlement of 90 pence per week. However, if he was earning £190.00 per week, currently we are deducting £8.10 per week. With the proposed flat rate deduction of £5.00, the taxpayer would be better off by £3.10 per week.

Proposal 2 - Question

Do you agree that we should bring in a flat rate non-dependant deduction of £5.00 per week?

Yes ☐

No ☐

Don't know ☐

Please use the space below to make any comments you have about Proposal 2:

Proposal 3 - Restrict the maximum amount of CTR to that of a Band D property

At this time when deciding how much CTR a person can get, we base the calculation on the actual amount of council tax the taxpayer has to pay. The proposal is to restrict the maximum amount they can get to that of a Band D.

The advantages of this proposal are:

- There would be no change for working age residents living in a property with a Band A, B, C or D
- It would be a simple change to the system

The disadvantages of this proposal are:

- Working age residents living in a Band E, F, G or H property would have their CTR restricted to a maximum amount of a Band D property. (Please see example below.)

Example: A taxpayer lives in a Band E property with a weekly council tax liability of £44.72. At present if he claimed CTR, depending on his circumstances, he could get up to £44.72 per week. However under the proposal, he would only get CTR up to a maximum of £36.59 per week (the weekly council tax charge for a Band D property). This would mean he would need to pay a minimum of £8.13 per week, that is, the difference between Band D and Band E.

Proposal 3 - Question

Do you agree that we should restrict the maximum amount of CTR to a Band D property?

Yes ☐

No ☐

Don't know ☐

Please use the space below to make any comments you have about Proposal 3:

Proposal 4 - Introduce a flat rate disregard of £17.50 for all earners

At this time when deciding how much CTR a person can get, where the claimant is employed, there are four different levels of deduction depending on the claimant's family circumstances. They range from £5.00 to £25.00 per week. The proposal is to make it a flat rate amount of £17.50 which means that all working customers would have the first £17.50 of their net earnings disregarded.

The advantages of this proposal are:

- this would be beneficial to single people and couples with children and will be an incentive to move into work.
- it would be a simple change to the system

The disadvantages of this proposal are:

- single parents would be worse off as a result of this change. Please see example below.

Example: At this time a single parent has £25 of earnings disregarded. Under the proposal they would only have £17.50 disregarded, a difference of £7.50 per week. When calculating how much CTR they would get, this would mean a weekly reduction of £2.25 (30% of £7.50). This assumes that the taper in Proposal 1 is put into effect. If the taper remains at 20% the weekly reduction would be £1.50.

Proposal 4 - Question

Do you agree that we should introduce a flat rate disregard of £17.50 for all earners?

Yes ☐

No ☐

Don't know ☐

Please use the space below to make any comments you have about Proposal 4:

Proposal 5 - Remove the family premium

At this time when deciding how much CTR a person can get, where there are children in the household and the claimant is not getting other welfare benefits, a premium of £17.45 per week is included in the calculation. This means that the claimant gets more help than households with no children. The proposal is to remove the premium which would reduce the amount of CTR awarded.

The advantages of this proposal are:

- this would bring the CTR scheme in line with both the Pensioner Prescribed Scheme and the Housing Benefit Regulations.
- it would be a simple change to the system

The disadvantages of this proposal are:

- there would be a reduction in CTR for working households. Please see example below.

Example: By removing the family premium, households with children would lose £5.24 per week (30% of £17.45). This assumes that the taper in Proposal 1 is put into effect. If the taper remains at 20% the weekly reduction would be £3.49.

Proposal 5 - Question

Do you agree that we should remove the family premium for working age households with children?

Yes ☐

No ☐

Don't know ☐

Please use the space below to make any comments you have about Proposal 5:

Proposal 6 - Introduce the 2 child restriction

At this time when deciding how much CTR a person can get, all children are allocated an allowance. The more allowances taken into account the more CTR a claimant may get. The proposal is to restrict the number of allowances to 2 children only.

The advantages of this proposal are:

- this would bring the CTR scheme in line with both the Pensioner Prescribed Scheme and the Housing Benefit Regulations.
- there would be no change to the calculation for households with less than 3 children

The disadvantages of this proposal are:

- there would be a reduction in CTR for households with more than 2 children. Please see example below.

Example: At present if a claim is made for CTR and there are 3 children in the household, an allowance of £66.90 per child is taken into account in the calculation. Therefore an allowance of £200.70 would be used. With this proposal, if the same household were to apply, allowances would be reduced to the amount for 2 children, ie £133.80 (2 x £66.90) a difference of £66.90 per week. This would mean a reduction in CTR of £20.07 per week. (30% of £66.90) This assumes that the taper in Proposal 1 is put into effect. If the taper remains at 20% the weekly reduction would be £13.38.

Proposal 6 - Question

Do you agree that we should introduce the 2 child restriction?

Yes ☐

No ☐

Don't know ☐

Please use the space below to make any comments you have about Proposal 6:

About You

Why do we ask these questions? The following questions will help us decide what proposals to choose. They will also help us monitor what different groups of people think about the proposed Council Tax Reduction scheme. All information you provide is completely confidential and anonymous. This means that your personal information will not be passed on to anyone and your personal details will not be reported alongside your responses.

Please tell us your postcode: | | | | | | | |

Which age group do you fall into?

- ☐ 18 - 35
- ☐ 36 - 59
- ☐ 60 - 74
- ☐ 75+

What do you consider your ethnic origin to be:

- ☐ White British
- ☐ White Irish
- ☐ White Other
- ☐ Black African
- ☐ Black Caribbean
- ☐ Black Other
- ☐ Mixed White and Black Caribbean
- ☐ Mixed White and Black African
- ☐ Bangladeshi
- ☐ Chinese
- ☐ Indian
- ☐ Pakistani
- ☐ Other Asian
- ☐ Mixed White and Asian
- ☐ Middle Eastern
- ☐ Mixed Other
- ☐ Other

Which of these best describes what you do?

- ☐ Full time work
- ☐ Part time work
- ☐ Volunteer work
- ☐ Full time student
- ☐ Unemployed and looking for work
- ☐ Unemployed and not looking for work
- ☐ Retired
- ☐ Long term sick/disabled
- ☐ Apprenticeship or training scheme
- ☐ Full time (unpaid) carer for an adult
- ☐ Full time (unpaid) carer for a child
- ☐ None of the above

Next steps

Because of the timescales involved, and the legal requirement that the Council adopts its scheme by 11 March 2019, if it is to take effect from 1 April 2019, the consultation will therefore start on 3 September 2018 and close on 28 October 2018.

We will listen carefully to what residents tell us and the consultation results will be considered with other evidence and information for the Full Council to make the final decision on the 2019/20 scheme.

The results from the consultation will be available on the Council's website when a decision has been made.

The new scheme will start on 1 April 2019. The Council will consider the impact of the scheme annually and consult again if it thinks further changes need to be made.

Thank you for completing the questionnaire. Please click on the button below to submit your responses.

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Appendix 3

Summary of Responses to Consultation

QUESTION **HASTINGS BC**	RESPONSES 268			COMMENTS 50 comments maximum for each question
	YES	NO	DON'T KNOW	
Do you agree the council should reduce the amount it pays out in CTR in order to help with the funding shortfall?	34.98%	42.59%	22.43%	*"people are already struggling…."* *"why not increase the taxes with large household incomes……"* *"increase tax for those who can afford it…."*
Do you agree that we should increase the taper when calculating how much CTR a working age resident should get?	29.91%	**52.23%**	17.86%	*"this would result in making the working poor, poorer…..."* *"discourages people to try and earn more…..."* *"we shouldn't be making things harder for the poorest……"*
Do you agree that we should bring in a flat-rate non-dependant deduction of £5.00 per week?	50.46%	34.40%	15.14%	*"if we are forced to do this, then seems less punitive approach…..."* *"this would save your admin team time and make it easier for the claimant…..."* *"this sounds fair…..."*
Do you agree that we should restrict the maximum amount of CTR to a Band D property?	53.52%	31.46%	15.02%	*"yes people in higher banded properties should be restricted…..."* *"if they can afford to live in Band E+ properties, they shouldn't need handouts…."* *"one of the better suggestions…."*
Do you agree that we should introduce a flat-rate disregard of £17.50 for all earners?	32.68%	**54.63%**	12.68%	*"this is extremely unfair on single parents…..."* *"this penalises lone parent households…..."* *"single parents need all the help they can get…..."*
Do you agree that we should remove the family premium for working age households with children?	33.50%	49.26%	17.24%	*"this seems a disincentive……."* *"having children is a choice……"* *"if the household is working, they can afford to lose a few pounds……."*
Do you agree that we should introduce the 2 child restriction?	48.76%	39.30%	11.94%	*"yes this is in line with tax credits……."* *"if you have children, you should pay for them……"* *"I think the number should be 3……"*

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Appendix 4

EQUALITY IMPACT ASSESSMENT Part 1 & 2 – pro-forma

Directorate	Corporate Resources - Revenues & Benefits Service	**Assessment carried out by**	Jean Saxby

Area being assessed	Proposed Amended Council Tax Reduction Scheme 2019/20	**Date of Assessment**	November 2018	**Is this a new or existing service/policy?**	Amendments to existing

PART 1 – INITIAL ASSESSMENT

1. What is the aim/ objective of the area being assessed?	The Local Government Finance Bill ('the Bill') imposes a duty on council tax billing authorities (Hastings Borough Council) to formulate a Council Tax Reduction Scheme (CTRS) by 31st January 2019 and to consult with major precepting authorities and other such persons as it considers likely to have an interest in the scheme. Major precepting authorities in East Sussex are East Sussex County Council, Sussex Police Authority and East Sussex Fire Authority. Other interested parties, for example, are benefit claimants, special interest groups, voluntary organisations and support groups. The Bill specifies that before adopting a scheme, the billing authority must, in the following order: a. consult any major precepting authority b. publish a draft scheme c. consult other persons as it considers are likely to have an interest in the operation of the scheme. This EIA has been produced ahead of the publication and adoption of the scheme by full Council to ensure that the Council will meet its requirements under the Equality Act 2010.

[Type text]

2. Who is intended to benefit from it and how?	Council tax reduction (CTR) for older people will not be impacted by the proposed new scheme as pensioners have their own prescribed scheme, set by Central Government. Working age claimants will still be able to apply for CTR, however, in some cases, they will receive less help towards their council tax bill than when they claimed during 2018/19. This is because the proposed scheme, whilst largely based on the existing scheme, will reduce the level at which CTR can be awarded. The proposed scheme still contains the following as introduced in April 2013: • a minimum CTR award of £5 per week • the withdrawal of the Second Adult Rebate scheme The proposed additions/amendments are: • a taper increase from 20% to 25% • a flat-rate non-dependant deduction at £5.00 per week for those aged 18 years and over who are no longer classed as dependants • a council tax band cap at Band D • no tariff income on savings • to remove the Family Premium and bring the scheme in line with the Pensioner's Scheme and Housing Benefit • to introduce the 2-child limit, again to bring the scheme in line with the Pensioner's Scheme and Housing Benefit
3. If your service uses contractors, do you ensure that they comply with the Council's equal opportunities policy and relevant legislation?	The service uses temporary staff and they are bound by their agencies and the Council's policies and legislation.

[Type text]

4. Do you know who your service users are by age/race/ disability/gender etc? (This could be obtained from results of recent consultation or surveys, equality monitoring data, demographic and other statistics).	Information is available from a number of sources - East Sussex in Figures (ESIF), the Department for Work and Pensions (DWP), and from the benefits database. There are 43,443 occupied dwellings in Hastings .The total number of benefit claimants is 9,978 of which 6,339 are of working age. Information held on the database is limited to that needed to process a claim for either housing benefit, CTR or both. The age of claimants and their gender can be obtained, but not their race or details of their disability. For example, it is enough to know that a claimant qualifies for a disability premium in order to award benefit. (Premiums are used in the calculation of benefit). From the recent consultation undertaken, 187 of the 268 respondents completed the section on ethnicity, of which 93.6% were White British/Irish or White Other with the remaining 6.4% being made up of the various minority groups in the town. When you compare these percentages to the Census 2011 data, they match exactly. This would suggest that the results should be a fair representation of the views of the residents.

4. a) How are service users' views gathered? (This could be through results of recent consultations or surveys, information from groups and agencies directly in touch with particular groups or analysis of complaints) **b)** How do you use this information? **c)** Do you publish the results, and where?	The consultation was over an 8 week period starting 3 September and ending on 28 October 2018. Collation of the results took place between 29 October and 2 November 2018. A summary of the results, including all comments made by those responding is information to be considered as part of this policy decision. The consultation survey (web based) gave: • background information and a brief description of the current CTRS • a statement that pensioners are protected from the changes and that working age claimants are most likely to be affected • a summary of our draft scheme • an introduction and explanation to each question relating specifically to the proposed scheme • a range of choices including the respondent's own preference if not shown, in relation to specific elements of the proposed scheme. Stakeholders were identified at the outset and were made aware of the consultation prior to the consultation starting. All current working age CTR claimants (those most likely to be affected) were contacted about the consultation. People could: • complete an online survey on the Council's website • use the Public Access Points in the council's offices if they did not otherwise have access to a computer Special interest groups were contacted directly ie Citizens Advice; HARC; BHT All current working age CTR claimants (6,339) were written to about the consultation and were encouraged to take part. Benefit award notices included details of the consultation. All e-mails sent to customers promoted the consultation. Hastings Contact Centre staff promoted the consultation when speaking to customers both on the telephone and face-to-face.		
5. Could the area being assessed have a differential impact on racial groups?		**NO**	The CTR scheme does not preclude people from receiving support based on their race. Under the scheme, entitlement is solely based on the applicant's income, household composition and liability to pay council tax.

[Type text]

6.	Could the area being assessed have a differential impact on people due to their gender?		**NO**	
7.	Could the area being assessed have a differential impact on people due to their disability?	**YES**		The council's CTRS includes additional premiums for people with disability benefits; therefore, CTR claimants will not be adversely affected. The nature of the claimant's disability is not relevant in order to calculate entitlement to CTR but an applicant with a disability related premium in the calculation of CTR *may* receive more CTR. In these cases, any impact in respect of premiums would be positive. This does not necessarily mean the applicant will always receive more support than an applicant whose award does not include a disability premium as the calculation could include deductions for non-dependant(s) which could reduce entitlement.
8.	Could the area being assessed have a differential impact on people due to their sexual orientation?		**NO**	Again the CTR scheme does not exclude applicants on the basis of their sexual orientation.
9.	Could the area being assessed have a differential impact on people due to their age?	**YES**		9,978 people currently claim CTR in Hastings. Of these, 6,339 (63.5%) are of working age and may receive less financial help towards paying their council tax under the proposed scheme than they do currently. Pensioners, who have their own Prescribed scheme set by the Government, are protected and are not impacted by the proposed changes. Therefore, age does make a difference, as the age of the customer determines the CTR scheme to be applied.
10.	Could the area being assessed have a differential impact on people due to their religious or other belief?		**NO**	The Council's CTRS does not preclude people from receiving support based on their religious belief. Under the scheme, entitlement is solely based on the applicant's income, household composition and liability to pay council tax.

[Type text]

11. Could the area being assessed have a differential impact on people due to them having dependants/ caring responsibilities?	YES		Awards of CTR are based on the income and composition of the applicant's household and the amount of council tax that the applicant is liable to pay. Allowances are currently included in the calculation for each child and a Family Premium is awarded. However the proposed amended scheme for 2019/20 will remove the Family Premium and limit the number of allowances for children to two. Whilst this will not impact on families who are in receipt of other welfare benefits which attracts 100% CTR, for working households, this will mean a reduction in CTR. These changes have already been introduced to the Pensioner Prescribed scheme and the Housing Benefit Regulations as per Government legislation.
12. Could the area being assessed have a differential impact on people due to them being transgendered or transsexual?		**NO**	The Council's CTRS does not preclude transgendered or transsexual applicants from receiving help towards paying their council tax. Data is not collected in respect of these groups
13. Is there any evidence that people from different groups may have different expectations of the areas being assessed?	YES		The Council's CTRS applies to two distinct groups: pensioners and those of working age. The scheme for pensioners is prescribed in law and the Council must award CTR based on that legislation. The scheme for working age applicants is not prescribed in law and the Council is required to devise its own support scheme. In effect, two different schemes operate. Due to continual reductions in funding, the Council has had to review its CTR scheme in order to make it more financially sustainable.
14. Is the policy likely to affect relations between certain groups, for example because it is seen as favouring a particular group or denying opportunities to another?	**YES**		For the reasons given above, working age applicants may feel they are being unfairly treated. Council tax liability for both pensioner and working age applicants is unaffected by the proposed changes, however the calculation is different and more generous to pensioners.

[Type text]

15.	Is the policy likely to damage relations between any particular groups and the Council?	**YES**		The council's CTRS for working age applicants is discretionary and is decided by Full Council. The scheme can be reviewed and amended annually, however, once decided, it cannot be changed within that year. Working age applicants could feel unfairly treated (compared to pensioners), but the need to provide support has to be balanced against the council's requirement to make savings and as the council cannot make changes to the pensioners' scheme, unfortunately it is the working age scheme that bears the impact. It is therefore possible that relations between affected working age applicants and the Council could be damaged.
16.	Could the differential impact identified in 5-12 amount to there being the potential for adverse impact in this strategy/ policy/service/ procedure?	**YES**		For the reasons given above.
17.	Can this adverse impact be justified on the grounds of promoting equality of opportunity for one group? Or any other reason?	**YES**		As part of its Welfare Reform and Localism agendas, the government has prescribed the support scheme for pensioners and has given discretionary powers to billing authorities to provide financial support to other council tax payers. The government has gradually been reducing the funding of the support scheme for working age applicants; therefore billing authorities have a choice between reducing the amount of support provided or by funding any shortfall from already stretched existing budgets which could affect all residents of the district.
18.	Have all your staff attended an equality awareness training session?	**YES**		Council policy
19.	Have you set any equality performance indicators or objectives for your service?		**NO**	As described above, the CTR is available to **all** irrespective of colour, creed, sexuality, race, religion
20.	Actions arising from Part 1 of the Initial Assessment			

[Type text]

21. Should this Initial Assessment proceed to Part 2?	**YES (please go to question 24)**			
22a. As a result of Part 1, is a Full Assessment necessary?	**YES**	**NO** (please sign below)	**22b.** If Yes, on what evidence should this assessment proceed to a Full Assessment?	
23a. Date on which Full Assessment to be started by			**23b.** Date on which Full Assessment to be completed by	

Signed : U Saxby

PART 2 - INITIAL CONSULTATION AND RISK ASSESSMENT					
24. In what areas are there concerns that the strategy/policy/procedure **could** have a differential impact?	**Race NO**	**Gender NO**	**Disability YES**	**Sexual Orientation NO**	**Age YES**
	Religion or Belief NO	**Dependants/ caring responsibility YES**	**Transgendered or Transsexual NO**		

[Type text]

25. What concerns are there that the area being assessed could have a differential impact on relevant groups? Please explain (continue on a separate sheet if necessary).	As explained in Part 1.		
26. What are the risks associated with the area being assessed in relation to differential impact?	Economic – some households will be financially worse off. Social – a reduction in household income can lead to health issues occurring – for example if savings are made from household heating bills, illness can develop in periods of cold weather. Housing – with a reduction in income, there would be pressure on the payment of household bills including housing costs. Rent arrears could accrue, tenancy under threat, possible eviction, homelessness		
27. Are there any experts/relevant groups who you can approach to explore their views on the issues?	**YES**	**28.** Please list the relevant groups/ experts	Special interest groups as listed in Part 1, section 4
29. How will the views of these groups be obtained?	E-mails Y Telephone Y Questionnaires Y		
30. Please explain in detail the views of the relevant groups/experts on the issues involved (continue on a separate sheet if necessary).	Views expressed were as follows: • Significant decreases in income will put some people in hardship • Proposals will put pressure on other local services such as food banks and charitable organisations • It is likely to lead to more people getting into arrears with their council tax • It will be less attractive for people to work a few hours more • It will put more children into poverty		

[Type text]

31. Taking into account the views of the groups/experts and/or the available evidence, please clearly state the risks associated with the strategy/policy/procedure weighed against its benefits (continue on a separate sheet if necessary).	The government requires local authorities to have a local scheme to support working age people financially in paying their council tax. The proposed scheme meets the legal requirements as laid out by the government and will affect approximately 240 taxpayers who will lose all support with around 555 losing £5 or more per week based on current caseload. The consultation was carried out on a draft scheme that would have affected many more tax payers (401 would have lost all support with 765 losing £5 or more). The proposed scheme addresses the areas of concern as identified by the respondents of the consultation and considerably mitigates the risks. The proposed scheme meets both the council's financial and legal requirements. In order to mitigate the impact to customers affected by the changes, under Section 13(a) 1(c) of the Local Government Finance Act 1992, the council has a Discretionary Council Tax policy, which is there to provide limited financial help to council tax payers who are experiencing exceptional hardship.
32. Actions arising from Part 2 of the Initial Assessment	The consultation results will be posted to the Council's website. Following approval at Full Council on 13 February 2019, the new scheme will be uploaded to the Council's website. Customers will be notified, as part of the annual billing process, of the revised new scheme.

33. As a result of Part 2, is a Full Assessment necessary?	**NO** (please sign below)	**33a.** Date on which Full Assessment to be started		**33b.** Date on which Full Assessment to be completed	

Signed : J Saxby Signed (Lead Officer): Jean Saxby Date: 30 November 2018

[Type text]

Appendix 5

Council Tax

Discretionary Reduction in Liability Policy

APRIL 2018

Introduction

Section 13A 1c of the Local Government Finance Act 1992, provides the council with additional discretionary powers to enable it to reduce the council tax liability where statutory discounts, exemptions and reductions do not apply.

These discretionary awards can be given to:

- individual council taxpayers;
- groups of council taxpayers defined by a common set of circumstances;
- council taxpayers within a defined area; or
- to all council taxpayers within the council's area.

The legislation states the following:

……. in any case, may be reduced to such extent or, if the amount has been reduced under S13a 1 a (Council Tax Reduction Scheme) such further extent as the billing authority for the area in which the dwelling is situated thinks fit…….

The provision allows the council the discretion to provide assistance to taxpayers where either the existing legislation does not provide a discount, exemption or reduction or in such circumstances where the council feels that the level of discount, exemption or reduction is insufficient given the circumstances.

When deciding on whether to grant a discretionary award, the council will consider each application on its merits. Wednesbury Principles will apply and it shall be decided without reference to any budgetary considerations notwithstanding the fact that any awards must be balanced against the needs of local taxpayers who will ultimately pay for a reduction in Council Tax income.

Likewise the period of any reduced liability will be considered in conjunction with the circumstances of the council taxpayer.

For the purposes of administration, the decision to grant any reduction in liability shall be considered within the following categories:

Exceptional Financial Hardship

In accordance with Section 13A 1a of the Local Government Finance Act 1992, the council has a Council Tax Reduction Scheme which provides support, through a discount, to those deemed to be in financial need. The scheme has been designed to take into account the financial and specific circumstances of individuals through the use of applicable amounts, premiums and income disregards.

Applications will be accepted under this policy for people who have qualified for support under the Council Tax Reduction Scheme but who are still experiencing severe financial hardship.

As part of the process of applying for additional support, all applicants must be willing to undertake **all** of the following:

a. make a separate application for assistance;
b. provide full details of their income and expenditure;

c. accept assistance from either the council or third parties such as the Citizens Advice or similar organisations to enable them to manage their finances more effectively including the termination of non-essential expenditure;
d. identify potential changes in payment methods and arrangements to assist the applicant;
e. assist the Council to minimise liability by ensuring that all discounts, exemptions and reductions are properly granted; and
f. maximise their income through the application for other welfare benefits, cancellation of non-essential contracts and outgoings and identifying the most economical tariffs for the supply of utilities and services generally

The council will be responsible for assessing applications against this policy and an officer will consider the following factors when applying this policy:

a. current household composition and specific circumstances including disability or caring responsibilities ;
b. current financial circumstances;
c. determine what action(s) the applicant has taken to alleviate the situation;
d. consider alternative means of support that may be available to the applicant by:
    i. re-profiling council tax debts or other debts
    ii. applying for a Discretionary Housing Payment;
    iii. maximising other benefits;
    iv. determining whether in the opinion of the decision maker the spending priorities of the applicant should be re-arranged.

Crisis - Flood, Fire etc.

The Council will consider requests for assistance from other council taxpayers who, through no fault of their own, have experienced a crisis or event that has made their property uninhabitable e.g. due to fire or flooding, where they remain liable to pay council tax and for which they have no recourse for compensation nor have recourse to any statutory exemptions or discounts.

All such requests must be made in writing detailing the **exact** circumstances of why reduction in the liability is required and specifying when the situation is expected to be resolved.

The council will consider applications on a case-by-case basis in consultation with other officers, departments and organisations as appropriate.

In making any decision, consideration will be made as to whether there is any alternative solution available and whether it is appropriate to offer relief having taken into account the needs of the taxpayers as a whole.

Other Circumstances

The council will consider requests from council taxpayers for a reduction in their liability based on other circumstances, not specified within this policy. However, the council must be of the opinion that the circumstances relating to the application warrant any further reduction in their liability for council tax having regard to the effect on other council taxpayers. No reduction in liability will be granted where any statutory exemption or discount could be granted.

No reduction in liability will be granted where it would conflict with any resolution, core priority or objective of the council.

Changes in circumstances

The council may revise any discretionary reduction in liability where the applicant's circumstances or situation has changed.

Duties of the applicant and the applicant's household

A person claiming any discretionary reduction in liability must:

- provide the council with such information as it may require to make a decision;
- tell the council of any changes in circumstances that may be relevant to their ongoing claim; and
- provide the council with such other information as it may require in connection with their claim

The award and duration of a reduction in liability

Both the amount and the duration of the award are determined at the discretion of the council, and will be done so on the basis of the evidence supplied and the circumstances of the claim.

The start date of such a payment and the duration of any payment will be determined by the council. In any event, the maximum length of the award will not exceed the end of the financial year in which the award is given.

Payment

In line with the spirit of the legislation, any award shall be granted as a reduction in the liability of the council taxpayer thereby reducing the amount of council tax payable.

Reductions in Council Tax liability granted in error or incorrectly

Where a reduction in liability has been granted incorrectly or in error either due to a failure to provide the correct or accurate information to the council or some other circumstances, the council taxpayers account will be recharged in the normal way.

Notification of a reduction in liability

The council will notify the outcome of each application for in writing. The notification will include the reason for the decision and advise the applicant of their appeal rights.

Appeals

Appeals against the council's decision may be made in accordance with Section 16 of the Local Government Finance Act 1992.

The council taxpayer must in the first instance write to the council outlining the reason for their appeal. Once received the council will reconsider its decision and notify the council taxpayer accordingly.

Where the council taxpayer remains aggrieved, a further appeal can then be made to the Valuation Tribunal.

Fraud

The Council is committed to protecting public funds and ensuring funds are awarded to the people who are rightfully eligible to them.

An applicant who tries to fraudulently claim a reduction in liability by falsely declaring their circumstances, providing a false statement or evidence in support of their application, may have committed an offence under The Fraud Act 2006.

Where the council suspects that such a fraud may have been committed, this matter will be investigated as appropriate and may lead to criminal proceedings being instigated.

Complaints

The council's 'Comments and Complaints Procedure' (available on the council's website) will be applied in the event of any complaint received about this policy.

Policy Review

This policy will be reviewed on a regular basis and updated as appropriate to ensure it remains fit for purpose. However, a review may take place sooner should there be any significant changes in legislation.

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Report to: **Cabinet**

Date of Meeting: **7th January 2019**

Report Title: **Community Partnership Funding 2019 - 2021**

Report By: Victoria Conheady
Assistant Director for Regeneration and Culture

Purpose of Report

To set out the recommendations for Community Partnership Funding (CPF) 2019 - 2021 programme.

Recommendation(s)

1) Cabinet approves the CPF Grants Panel's recommendations as set out in this report subject to the decisions of the Budget Cabinet meeting in February 2019.

2) Delegation is given to the Director of Operational Services or his nominee in consultation with the Lead Member for Regeneration, Planning & Culture, to agree final contractual outputs, outcomes and grants.

Reasons for Recommendations

The current round of CPF comes to an end in March 2019. The proposals set out in this report follow the current commissioning approach for the existing priorities.

Background

1. The current round of CPF comes to an end in March 2019. The previous round was agreed and commissioned in 2016 covering the 2017-18 & 2018-19 programme.

2. The current CPF Programme priorities are as follows:

    a. Housing, legal, welfare and debt advice
    b. Support for victims of domestic violence
    c. Advice and support to organisations (voluntary sector infrastructure support)
    d. Rough sleepers outreach support
    e. Advice and support to migrant and newly settled communities

HBC CPF Funding Levels (2019-21)

3. This CPF grant programme will cover the period starting in April 2019 and ending in March 2021. The amount available for the 2019 – 21 programmes will be consulted upon during the annual budget setting process. The final amounts will be confirmed in February 2019 and again in February 2020.

4. For the purposes of the application process, indicative amounts have been given to the successful applicants, as the awards are less than previous years. The amounts also differ to those that organisations originally requested, and preferred applicants have been supported to refine their service offer appropriately.

Application Process

5. Specification for services to address the above priorities were drawn up and a broad range of potential providers were invited to submit proposals.

6. The CPF application process opened on 3rd September 2018 and closed on 18th October 18.

7. In total eight proposals were received for the five priority services identified above.

8. The CPF Grants Panel was established to review and evaluate all proposals. The Panel included the Lead Member for Regeneration, Planning & Culture, the Housing Policy and Performance Officer, the Economic Development Manager, the External Funding Manager and the Programme Compliance Monitoring Officer.

9. All proposals were subject to an objective, consistent and rigorous appraisal, and scored against the criteria set out below:

    - Project proposal
    - Fit with priority
    - Project costs
    - Impact
    - Beneficiary monitoring

10. As part of the process the successful applicants were notified of the indicative funding amounts available for this programme. The panel agreed this process to allow the applicants the opportunity to confirm or modify their service offer based on the lower available funding in relation to their funding request. The panel re-assessed any applicant revisions and have considered these as part of their approval process.

11. The recommendations of the Panel in respect of grant allocations has been based on the outcome of this process. The organisations recommended for funding and their indicative amounts are set out in **Appendix A** to this report and shown in summary in the table below.

Organisation	**CPF priority**	**CPF amount 2019-2021**	**% of total fund allocated (£371,341)**
Change Grow Live	Support for victims of domestic violence	£44,703	12.0%
Citizens Advice 1066	Housing, legal, welfare and debt advice	£80,466	21.7%
Hastings Advice & Representation Centre (HARC)	Housing, legal, welfare and debt advice	£121,292	32.7%
Hastings Voluntary Action	Advice and support to organisations	£35,763	9.6%
Seaview	Rough sleepers outreach support	£62,295	16.8%
The Links Project/HVA	Advice and support to migrant and newly settled communities	£26,822	7.2%

12. Under the Housing, legal, welfare and debt advice priority the current (17/19) CPF contract is with a partnership of HARC, BHT and CA1066 providing a one-stop support service at Renaissance House. This partnership has not jointly reapplied and the panel understand CA 1066 is vacating Renaissance House. The panel however received two separate bids for the advice service provision, one by HARC and BHT and one by CA1066.

13. After negotiations, funding has been allocated to both advice proposals, with conditions to provide for shared triaging of clients and embedded referral processes to keep the client experience unchanged from the current service. CA1066 are located at The Magnet Centre, which is next to Renaissance House. Both advice service proposals complement each other and avoid duplication.

14. The vacant space at Renaissance House also allows for the opportunity for other service providers (such as Sussex Community Development Association (SCDA) and the Hastings and Rother Credit Union (HRCU)) to be on-site and the CPF service will benefit from this added value.

15. The confirmation of grant and specific outputs and outcomes will be subject to further negotiations with each organisation conducted by officers for agreement by March 2019. The total amount awarded will not exceed the budget, which will be determined as part of the Council's annual budget setting process.

Timetable of Next Steps

Please include a list of key actions and the scheduled dates for these:

Action	Key milestone	Due date	Responsible
Council approval of new service contracts to ensure continuation of service provision	Cabinet	7 January 2019	Councillors
Formal Council approval of CPF budget	Cabinet	February 2019	Councillors

Wards Affected

All

Policy Implications

Relevant project tools applied? No – ongoing business

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

Equalities and Community Cohesiveness
Current CPF priorities contributes to equality and community cohesiveness

Crime and Fear of Crime (Section 17)
Current CPF priorities contribute to crime prevention

Risk Management

The CPF programme currently delivers services which reduce demand on internal council services. This would likely increase if this external provision was removed and would also have greater impact on local communities

Environmental Issues
CPF programme is currently delivering housing advice, including fuel poverty and energy reduction/efficiency advice

Economic/Financial Implications
The CPF programme is being reduced during this period and 20/21, which may impact service delivery. Allocation of £195,669 for FY 19/20 and £175,671 for FY 20/21.

Human Rights Act
Included in current CPF priorities

Organisational Consequences
Limited internal resource to deliver programme other than servicing contract.

Local People's Views
The CPF programme priorities went to local consultation in 2016 for the new priorities which remain the same for this period.

Anti-Poverty
Covered under the current CPF priorities.

Additional Information

Appendix A – **Community Partnership Funding 2019-21 recommendations**

Officer to Contact

Ian Sycamore
isycamore@hastings.gov.uk
01424 451339

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Appendix A
Community Partnership Fund Programme 2019-21

Applications for recommendation

Organisation	Project Aim	Grant Recommended
Change Grow Live	**CGL Domestic Abuse Service (@ the Portal)** The service aims to provide early and preventative specialist advice, information, advocacy, emotional and practical support to women, men and children who are experiencing low to medium risk of harm through domestic abuse in Hastings and St Leonards. They aim to prevent and minimise homelessness and hidden homelessness (e.g. staying with friends and family) resulting from relationship breakdown, alongside providing rapid access to more intensive safety planning and support if dynamic risk escalates.	**2019-20: £23,555** **2020-21: £21,148** **2019-21: £44,703**
Citizens Advice 1066	**Advice Services - Citizens Advice 1066** In a landscape of austerity Citizens Advice 1066 will partner with Hastings BC to ensure that residents have a sustainable, high-quality and accessible advice service across the full spectrum of issues facing people, including housing, legal, welfare and debt. They work with many partner organisations to intervene as early as possible to prevent escalation into financial crisis and threat of homelessness. They are able to tackle complex, multi-layered issues through this holistic approach.	**2019-20: £42,400** **2020-21: £38,066** **2019-21: £80,466**
Hastings Advice & Representation Centre (HARC)	**The Advice & Community Hub** The aim of the service is to provide an accessible specialist welfare benefits and legal housing advice service, including representation at tribunals and in court. Advice on how to maintain and/or secure alternative accommodation. Working closely together to provide timely effective advice, the partner agencies will focus their efforts on the improvement of people's lives by ensuring people receive the correct benefit entitlement and that homelessness is prevented wherever possible.	**2019-20: £63,912** **2020-21: £57,380** **2019-21: £121,292**

Hastings Voluntary Action	**Funding Advice and Support Service** The aim of the service is to maximise the level of inward investment levered into Hastings through the voluntary sector by supporting Hastings voluntary and community organisations to be eligible for funding, and maximising the number of good quality funding applications. By doing so this also increases the range of organisations that are “investment ready”. As a result they will: • Sustain VCS jobs and services • Create new services/opportunities for vulnerable residents • Contribute to the wider social/economic regeneration agenda.	**2019-20: £18,844** **2020-21: £16,918** **2019-21: £35,763**
Seaview	**Seaview Rough Sleepers Outreach Service** The Rough Sleepers Outreach Service seeks to: • Locate, engage, identify, welfare check and verify, people rough sleeping in Hastings and St Leonards where they are bedded down • Facilitate engagement and linkage with other support services • Facilitate re-connection where appropriate • Find secure temporary or settled accommodation • Support the intention of prevention and reduction of rough sleeping in the borough.	**2019-20: £32,825** **2020-21: £29,470** **2019-21: £62,295**
The Links Project/HVA	**The Links Project** The aim of the service is to positively engage and develop a trusting professional relationship with asylum seekers, refugees and migrant communities living in East Sussex to help them to improve quality of life, to support positive integration in the UK as well as feel part of the local area where they live.	**2019-20: £14,133** **2020-21: £12,689** **2019-21: £26,822**

Agenda Item 7

Report to: **Cabinet**

Date of Meeting: **7th January 2019**

Report Title: **Ground mounted solar arrays**

Report By: **Simon Hubbard, Director of Operational Services**

Purpose of Report

1. This report is presented to cabinet in order that they can consider the high level business case to establish ground mounted solar arrays. They are invited to consider whether to proceed to the next stage of the project. This is the production of a detailed business case.

Recommendation(s)

2. That delegated authority is granted to the Director of Operational Services, in consultation with the Leader, to develop a detailed business case for ground mounted solar arrays. The detailed business case is to be presented to Cabinet in June 2019.

3. That delegated authority is granted to the Director of Operational Services, in consultation with the Leader, to spend up to £80,400 to pay for professional studies and pre-planning consultations. The money will be sourced through bids to the Invest to Save fund and from reserves.

Reasons for Recommendations

4. The proposed ground mounted solar arrays have the potential to make a significant contribution to the objectives of the Income Generation and draft Energy Strategies.

5. A detailed business case will provide the information Cabinet will require when considering whether to further commit the Council to the proposed project; including a significant allocation in the Capital Programme.

6. A detailed business case will require a pre-planning application to be conducted with two planning authorities. In order to get value from that process professional comment from the sources detailed at para. 13 will be required.

Background

7. The Council's adopted Income Generation Strategy has prioritised four themes for investment; one of those themes is in energy generating technology. Within that investment theme the establishment of ground mounted solar arrays has been identified as a project worthy of proper consideration for investment.

8. The high level business case suggests that HBC should establish three separate 1 MW ground mounted solar arrays. One of these will be located on the Council's property at Upper Wilting Farm, Crowhurst. The other two will be located on land close to The Milking Parlour, Fairlight.

9. The financial summary identified by the business case (subject to detailed analysis):

Predicted capital requirement	£	2,100,000*
Predicted minimum gross revenue	£	165,000**
To	£	430,000***
Predicted costs of borrowing	£	120,000****
Predicted operation and maintenance	£	20,000
Predicted existing income lost	£	3,211

* Inclusive and according to the Solar Trade Association.

** Based on generation achieved at Tangmere Solar Farm sold on low revenue/risk basis.

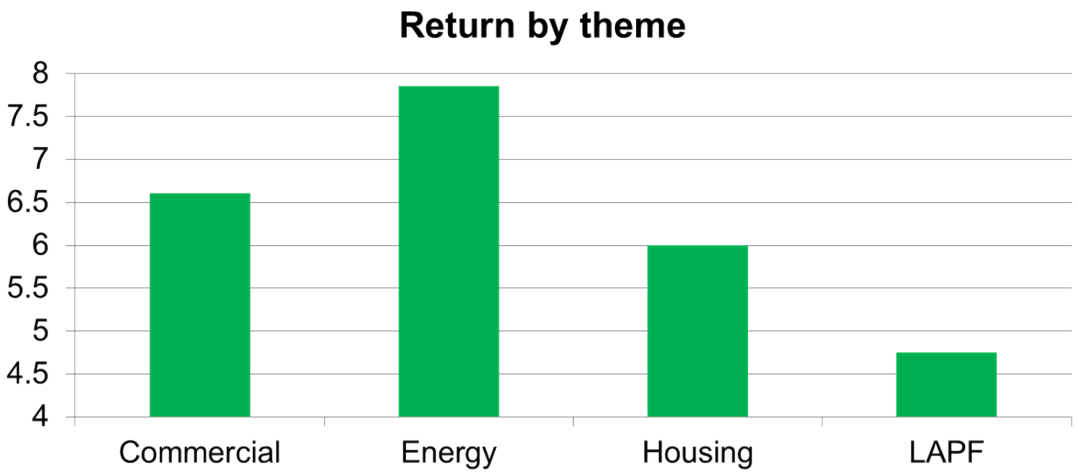
*** Assumes sale of energy at average retail rates (14.37p p/kWh)

**** Based on a planning interest rate of 3% (current rates are 2.46%)

10. The capital assumption is based on the latest figures released by the Solar Trade Association. This figure is inclusive and includes all equipment, construction, connection costs (including substations, trenching and cabling), professional fees, etc. The capital assumption does not include land.

11. The revenue predictions are conservative, realistic and based on the actual performance of a similar facility at Tangmere Solar Farm. The revenue potential is greater than this and can be determined during the next phase of the project through working with the Council's energy broker, LASER. Options for the use of energy will be presented in the detailed business case. Those options will include modelling predicted inflationary pressures on energy prices.

12. When compared to other investments that the Council has been making over the last 24 months the return available from this proposed project looks attractive:



13. The high level business case shows that £80,400 of the capital allocation referred to in para. 10 are required for the production of the detailed business case. This money is to commission the specialist studies needed for a pre-planning application. This is broken down a follows (for each of the three sites):

- Heritage assessment £10,000
- Landscape and visual impact assessment £10,000
- Review by energy consultancy £ 4,000
- Land management, Ecology & Agricultural review £ 1,000
- Pre-planning consultation forum £ 1,800

Timetable of Next Steps

Action	Key milestone	Due date (provisional)	Responsible
Gateway review	Cabinet decision	7th January 2019	Simon Hubbard, Director of Operational Services
Testing the market	Soft market testing	21st January to 29th March 2019	Gavin Fownes, Technical Support Officer
Specialist studies	Pre-planning applications submitted	21st January to 29th March 2019	Gavin Fownes, technical Support Officer

Pre-planning consultations	Planners written opinions	1st April to 10th May 2019	Gavin Fownes, technical Support Officer
Gauging public opinion	Pre-application forum	1st April to 10th May 2019	Gavin Fownes, Technical Support Officer
Detailed business case	Income Generation Programme Board	13th to 24th May 2019	Marcus Lawler, Income Generation Manager
Gateway review	Cabinet decision	10th June 2019	Simon Hubbard, Director of Operational Services

Wards Affected

All wards

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

Risk will be handled in accordance with the Income Generation Strategy. In essence the proposed project will be entered to the Corporate Risk Register and a project risk log will be maintained.

Environmental Issues - Yes

Should this project be commissioned it is projected to save 1,433 tons of carbon emissions, annually.

Economic/Financial Implications - Yes

The proposed project is likely to generate a positive contribution for the Council in line with the objectives of the Income Generation Strategy.

Human Rights Act - No

Organisational Consequences - **Yes**

In order to coordinate the resources required to develop a detailed business case the Technical Support Officer role should be extended until 30.06.2019.

Local People's Views - **Yes**

The project will be conducting pre-planning forums and this is an opportunity to gauge public opinion and concerns.

Anti-Poverty - **Yes**

Three 1 MW solar farm produce enough energy to potentially power 1,000 homes. Should this project be commissioned options to address fuel poverty will be available to the Council.

Other documents

Officer to Contact

Name: Marcus Lawler, Income Generation Manager

Email address: mlawler@hastings.gov.uk

Phone number: 01424 451499

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Business Case

Ground Mounted Solar Arrays

Release:	v.2
Date:	26th November 2018
Author:	Marcus Lawler, Income Generation Manager
Programme Sponsor/Executive:	Simon Hubbard, Director of Operational Services/Income Generation Programme Board
Client / Department:	Victoria Conheady, Assistant Director of Regeneration and Culture
Project Manager:	Various proposed (see project scope/plan)

Document Location

The source of the document will be found at: Ground Mounted Solar

Revision History

Date of this revision:
Date of next revision:

Revision Date	Prev Revision Date	Summary of Changes	Changes Marked
5th Oct 2018	NA	Draft	NA
1st Nov 2018	5th Oct2018	v.1	NA
26th Nov 2018	1st Nov 2018	v.2	NA

Approvals

This document requires the following approvals.
Signed approval forms are filed in the (*state location)* section of the project files.

Name	Signature	Title	Date of Issue	Version
Simon Hubbard		Director of Operational Services/Programme Director	26th Nov 2018	v.2

Distribution

This document has been distributed to

Name	Title	Date of Issue	Version
Simon Hubbard	Director of Operational Services/Programme Director	26th Nov 2018	v.2
Victoria Conheady	Assistant Director of Regeneration and Culture/Senior User	26th Nov 2018	v.2
Peter Grace	Chief Finance Officer/Senior User	1st Nov 2018	v.1
Andrew Palmer	Assistant Director of Housing and Built Environment/Senior User	1st Nov 2018	v.1
Jane Hartnell	Director of Corporate Services and Governance/Senior Supplier	1st Nov 2018	v.1
Christine Barkshire-Jones	Chief Legal Officer/Programme Assurance	1st Nov 2018	v.1
Amy Terry	Estates Manager	1st Nov 2018	v.1
Murray Davidson	Environment and Natural resources Manager	1st Nov 2018	v.1
Gavin Fownes	Technical Support Officer	1st Nov 2018	v.1
Chantal Lass	Sustainability Manager	1st Nov 2018	v.1

1. Executive Summary

This business case presents a high level summary of the opportunity and options for Hastings Borough Council (HBC) to establish ground mounted solar arrays, or 'solar farms'. If the recommended option is accepted it also outlines the actions and resources required to test assumptions in detail, and to get to the next decision point, or project gateway.

HBC has already agreed, as part of its Income Generation Strategy to invest in three policy objectives in a 'commercial' manner; one of those investment themes is energy generation. When the Council adopted this strategy it put up to £6m of funding into the Capital Programme for the delivery of energy related projects.

Following an energy options study conducted over the summer of 2017 a series of energy generation opportunity measures were identified, including the establishment of ground mounted solar arrays. Cabinet has already approved some of the measures identified within the options study (such as roof top solar) on 4th December 2017 through a report entitled, *'An energy transition for Hastings'*. When accepting these measures Cabinet set aside up to £1.76m of the capital allocation to those projects.

Work has progressed sufficiently on ground mounted solar to consider committing further resources to the development of a more detailed business case.

In essence, the Council has a good opportunity to establish these sorts of 'solar farms' because it is a significant landowner and has no land acquisition problems. The other two critical pre-cursors of a successful project are also in place: Firstly, the local energy grid, operated by the Distribution Network Operator (DNO) UK Power Network (UKPN) has capacity to accept generated power without unnecessarily high costs of connecting to its grid. Secondly, through HBC's existing relationship with LASER (an energy broker) it has access to a range of customers for any energy that it produces.

The revenue and power available could be used in a number of ways:

- Contribution to the Council's General Fund.
- Offsetting the Council's utility bills.
- Mitigate loss of revenue at Hastings Country Park and help contribute to future management of the Nature Reserve.
- Using power in support of social, environmental and economic development objectives.

The option recommended by this business case in summary:

a. Business summary.

HBC will establish three separate 1 MWp ground mounted solar arrays. One of these will be located on the Council's property at Upper Wilting Farm, Crowhurst. The other two will be located on land close to The Milking Parlour, Fairlight.

The Council will use its relationship with LASER (its procured energy broker) to sell the power generated on the open market. The majority of the revenue can be received into the General Fund in order that the Council can continue to support the Energy Strategy and other services for Hastings. A portion of revenue can be diverted to the parks budget to protect these assets without which the solar arrays cannot be established.

If the business case is approved, and plans prove viable after next stage analysis, the earliest predicted date that the arrays will be commissioned and revenue received is February 2020. Should identified risks materialise the latest date the arrays could be commissioned and revenue received is February 2021.

b. Financial summary.*

Funds required getting to the next gateway (Detailed business case)	£ 80,400
Predicted capital requirement	£2,100,000
Predicted minimum gross revenue	£ 165,000**
To	£ 430,000***
Predicted costs of borrowing	£ 120,000****
Predicted operation and maintenance	£ 20,000
Predicted existing income lost	£ 3,211

* Subject to further detailed analysis.

** Based on the sale of energy at the lower but more secure rates (see para.10)

*** Assumes sale of energy at average retail rates (14.37p p/kWh)

**** Based on a planning interest rate of 3% (current rates are 2.46%)

2. Current Situation.

The Council's Income Generation Strategy targets investment of up to £6m in energy projects in support of its policy objectives. The investment period is over financial years 2018/19 to 2020/21. To date £1.76m of investment of this £6m allocation has been approved.

In order to keep pace with the stated investment objectives further suitable opportunities need to be identified. The early stage analysis in the 2017 Energy Options Study indicated that ground mounted solar would be a suitable investment opportunity. This assumption has been tested further and has resulted in the production of this business case; the opportunity does indeed seem to meet the required criteria.

The energy generation and supply landscape is shifting dramatically. The National Infrastructure Assessment 2018 (National Infrastructure Commission) sets out the Commission's plan of action to upgrade for the UK's infrastructure over the next 10-30 years. Its recommendations include a pathway for the UK's economic infrastructure including 'low cost, low carbon' electricity. This is reflected in the plans of the local Distribution Network Operator (UK Power Networks) to move to a Distribution Supply Operator model which promotes local generation and consumption of power. The Council has addressed these issues and its aspirations are outlined in the draft Energy Strategy.

3. Proposed Solution

To establish ground mounted solar arrays on the Council's estate.

a. Key outcomes

- That the investment can be committed in time to support the Income Generation Strategy.
- A net contribution is derived in accordance with the criteria of the Income Generation Strategy.
- Protect the future management of the nature reserve and landscape.
- Increased security of generation and supply of energy for Hastings.
- Have the potential to contribute to Hasting's fuel poverty issues.
- Have the potential to keep money within the local economy.
- Contribute to carbon reduction.

b. Precursors for success

There are three principal precursors of success, as follows:

- Land (planning permission).
- Connection capacity.
- Effective use of power generated (cost effective).

They are discussed in detail in the following paragraphs.

4. Land.

Three distinct areas were originally identified during the summer of 2017 as having the potential for ground mounted solar arrays. Those areas have been subjected to a first stage operational review, with the following outcomes:

a. Pebsham landfill – The land at Pebsham is still settling. A consequence of this instability is that ground mounted solar arrays are currently unviable as they would likely break. As the land settles over the coming years the situation will improve and a solar farm may become viable. For the purposes of this business case the site has been discounted.

b. Upper Wilting Farm – The land is currently let for agriculture. The existing arrangements could be replaced with the loss of some rental income. The view is that a solar farm may, on parts of the farm be a preferable arrangement than the current agriculture. From an operational perspective Upper Wilting Farm is a suitable location for the proposed project. The land required to deliver this project currently provides an income to the Council of £446 per annum under an agricultural tenancy.

c. Hastings Country Park – The fields around The Milking Parlour is the area under consideration. These potentially suitable fields are subject to agricultural subsidy payments. The land required to deliver this project currently provides an income to the Council of £2,765 per annum under the Basic Payment Scheme.

d. Ecological and scientific impact – The land in question has been subject to ecological and scientific (e.g. archaeological) professional analysis. The view of the managers is that the land identified at upper Wilting Farm and Hastings Country Park is of lower value from these perspectives. This should mitigate some potential obstacles to a successful planning application although the land in question abuts a SSSI and SAC and this will bring other issues. Consultation with Natural England will be required.

e. Neither Upper Wilting Farm nor the Milking Parlour appear to require crossing other owners property to connect to the grid.

f. Planning permission – Upper Wilting Farm is in the planning jurisdiction of Rother District Council and Hastings Country Park in that of Hastings Borough Council. A key element of preparing a detailed business case, should the recommendation be accepted, is that a pre-planning consultation should take place with each authority. Advice has been taken form Rother and HBC's own planning departments on this process, and a list of requirements identified. There will be a cost attached to prepare and conduct the pre-application consultations.

g. Mitigating lost income – the Council may be able to continue to derive income from the proposed sites by mounting actual panels in a way that allows livestock to continue to use the fields in question. There are operational advantages to this as the animals keep vegetation down and this maintenance task gets taken care of. If the recommendation is accepted then options to mount the array in this way should be examined as part of detailed business case development.

5. Connection capacity.

a. The author visited UK Power Networks (UKPN) the Distribution Network Operator (DNO) on Friday 31st August 2018 to informally discuss connection capacity on the Council's estate at Upper Wilting Farm and the fields Hastings Country Park.

b. The advice received was informal and is subject to a proper process. This formal process costs £10,000 per proposed connection for the assessment only (i.e. does not include any special connection upgrade costs). At the point an application is approved the DNO is committed to allowing the Council to connect (subject to the other conditions such as planning being net).

c. Both sites are suitable for individual connections of power stations with up to 1MW capacity provided certain technical conditions are met. This is basically the establishment of a sub-station dedicated to the proposed 1MW power station. A high voltage (HV) sub-station for a 1MW array will cost £120,000 each, inclusive. In addition UKPN will charge £400 per meter to connect that sub-station to the nearest ring. There may be some additional costs for safety equipment further back in the electricity

distribution chain but without running the computer modelling (£10,000 assessment fee) it is impossible to say what those costs will be, if any.

d. The local rings can handle a quantum of generation of 1MW at Upper Wilting Farm and 2MW at Hastings Country Park.

e. If the Council was interested in arrays larger than 1MW it would be required to pay for HV cable upgrades from the proposed sites to the Ore Valley major sub-station. The minimum cost is likely to be £2m from each location. This would make the project unviable.

f. A 1MW ground mounted power station covers approximately 5 acres including service areas and buildings. Therefore 5 acres in the northern portion of Upper Wilting Farm will need to be identified. At Hastings Country Park this will be 10 acres (2 x 5 acres).

6. Use of power.

a. The author and the Sustainability Manager visited HBC's energy broker, LASER on Thursday 6th September 2018 to informally discuss opportunities for the buying and selling of power. The conversation was framed in the context of 4.3MW of combined generation capacity through roof top generation and the proposed ground mounted solar arrays. The problem of needing surety of income prior to business case approval was put to LASER for their comment.

b. The advice received was early stage and informal. LASER is happy to work with us to develop more detailed and specific proposals. These could be attached to business cases for senior decision makers' consideration.

c. HBC is already signed up to the LASER frameworks for the buying of energy. In doing so it has access to Power Purchase Agreements pre-procured from various Energy Supply Licence holders including HBC's electricity supplier, n-Power. In short, HBC can already sell any of its existing or future power generation to a properly procured purchaser. Other councils have taken advantage of this opportunity. An example is West Sussex County Council's (WSCC) arrangements for the disposal of energy generated at their ground mounted solar array, at Tangmere:

www.bpg.co.uk/project/tangmere-solar-farm

The author understands from officers of WSCC that they are using this network of frameworks to underpin the business case for its next stage investment in ground mounted solar:

www.westsussex.gov.uk/planning/local-environmental-projects/westhampnett-solar-farm

d. LASER is currently reviewing its Framework suppliers; the new list and the contracts (which will last from 2020 to 2024) will be available for HBC's inspection in Q4 of this financial year. As HBC's agreement with LASER expires in 2020 we will have to start the process of re-tendering in 2019 anyway. We could elect to start that process as soon as the new Frameworks are available and build in commercial surety to our proposed energy projects.

e. LASER takes a commission on the revenue it receives for the sale of our energy. It can sell our energy in a variety of ways:

- Fixed price and period trade - this is where the market is asked to bid for future generation of energy. The longer the sale period sought, the lower the fixed price achieved is likely to be.

- Half-hourly to monthly trading - this is where power is live traded in the prescribed periods in response to market conditions. The returns are potentially very lucrative (especially given prevailing conditions in the energy market where there is an ongoing generation short fall) but there is also the downside risk that prices may go in the other direction.

- Blended approach - HBC may decide to sell some of its power in one way and some in another. Some may be sold for a fixed price and period (for example to ensure that debts can be serviced) but the remainder sold on the half-hourly market for the possibility of maximum returns. Recommendations about blends can be made on receipt of the information outlined at para. 13.

f. Base load vs peak load. Our power will be worth different amounts depending on what time of day we make it available to the market. Generally there is a lower price for 'base load' requirements and a higher price for 'peak load' requirements, which can be described as weekdays between 0700 and 1900. Battery storage can therefore make a huge difference to a scheme's commercial viability and will need to be considered with our appointed energy broker when developing business cases and designing potential power stations.

g. The sales arrangements for different asset types need to be considered. For example, the generation from a ground mounted solar array is predictable and may be viewed as a good candidate for a sale to a buyer of a long period of generation at a fixed price – there are unlikely to be imbalance charges if the deal is set up correctly. Conversely, predicting the spillage from multiple rooftops arrays where the principal customer will be the building occupiers will be difficult. In these circumstances trading on the half-hourly market may be the most sensible option as imbalance charges are not a factor.

h. When HBC enters into an agreement to sell power it will accept penalties for failing to deliver the contracted power generation; these penalties are known as imbalance charges. In some cases these charges can be considerable. Imbalance charges can be mitigated in two ways:

- HBC can elect to trade 'in baskets'. A 'basket' is the term for a collection of generators selling their power together. In this way the possibilities for under generation across the basket are reduced and consequently the market will pay a higher price and insist on a lower imbalance charge. Care must be taken that HBC's objectives are shared in the terms of the basket.

- We can elect to under trade. By committing to sell less power than we are expecting to generate we minimise the risk of not meeting contractual generation requirements and incurring imbalance charges. This approach could be used in the early days of the operation of a new power station until real time performance data (as opposed to theoretical predictions) has become available. At this point a different approach to the risk of selling power can be considered. The author understands that this is the approach WSCC took with the first year of operation of Tangmere.

i. The revenue derived from the sale of our energy can be received in the form of a payment or it can be used to offset HBCs energy bill. Although the result to the Council's bottom line is the same, the political message would be very different. This needs to be considered.

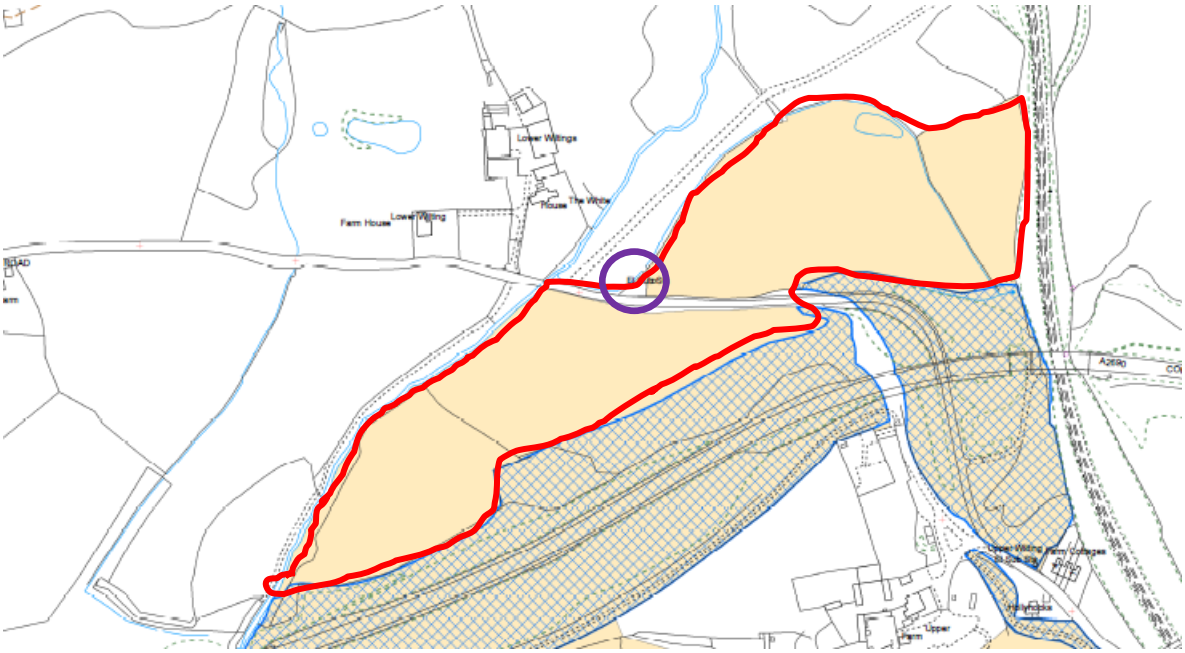
j. The impact to HBCs capacity should be minimal under an arrangement such as this. A well set-up broker can handle all the administrative arrangements of the sales on the Council's behalf.

k. To provide HBC with more detailed advice, tailored to the Council's specific requirements they require early stage guidance on the following:

- What generation capacity we have to sell.
- An analysis of the generation profile we would like to sell.
- An indication of the Council's appetite for trading risk.
- Confirmation of HBC's business objectives.
- Confirmation of timelines.

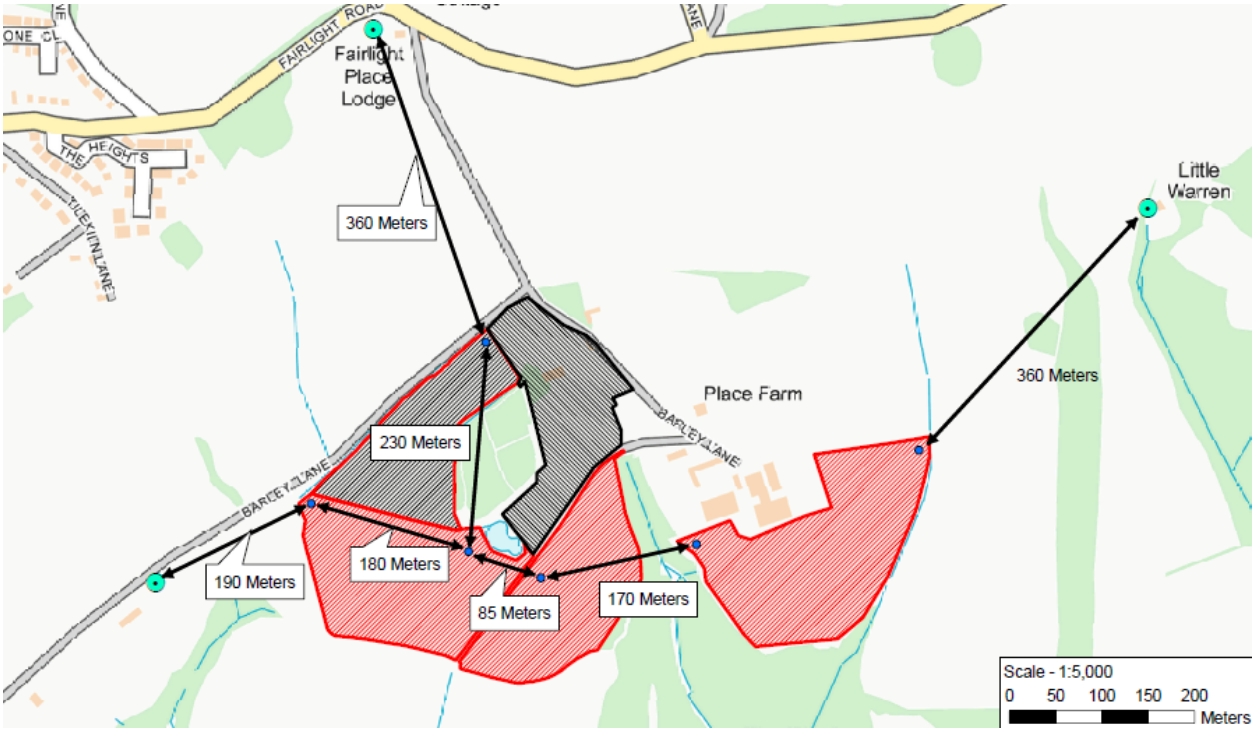
7. Site maps.

a. Upper Wilting Farm



The area suitable for ground mounted solar is in the fields contained within the red border; the sub-station would best be positioned with the existing sub-station in the purple circle. Early discussion with the Estates Manager seems to indicate that these areas may be suitable from an operational perspective. The connection costs are minimal.

b. Hastings Country Park



The areas suitable for ground mounted solar are shown in this diagram. The distance from connection points are also annotated. Early discussion with the Environment and Natural Resources Manager seems to indicate that these areas may be suitable from an operational perspective. The connection costs are minimal.

8. Options and cost benefit.

Option	Description	Advantage	Disadvantage
1	Do nothing	No fees at risk No risk of failed project.	No financial contribution No contribution to the objects of the Energy Strategy or the Income Generation Strategy
2	Proceed with all three solar arrays	Greatest revenue potential. Greatest opportunity to contribute to the object of the energy strategy.	The Council takes on a commercial risk
3	Proceed with partial recommendation (only one or two or the sites)	Opportunity to cap risk levels.	Some opportunity wasted

a. Recommendation.

The recommendation is to proceed with option 2. A project plan is with the Income Generation Board which shows how this project can be delivered. The next step is to test assumptions in detail and produce a detailed business case. Consideration of the detailed business case is the next schedule project gateway.

9. Impact Analysis (major risks and opportunities).

	Factor	Impact	Mitigation/opportunity
Political	(+) Generating energy from a renewable source owned by the Council	Lowering the carbon footprint of HBC and\or Hastings	Capture communications and publicity opportunities and engage Councillors at all stages
	(-/+) Construction and ongoing use of solar farms	Opposition or support from the public	Public consultation and communication around benefits and possible mitigation methods the Council will use.
		Damage to the environment/ecology, visual impact of the farm	Appropriate assessments carried out and results communicated appropriately
	(-/+) Large scale project will attract a lot of public/media interest	Damage or boost to Councils reputation	Develop communication strategy for each stage of the project
Environmental	(-) Construction phase, Delivery of machinery and equipment	Impact to the Environment	Traffic impact assessment and management plans in place. Contract specification to ensure any and all works carried out minimise any impact on the environment, disposal of all waste is managed appropriately
	(-/+) Ongoing use of the solar farm	Impact on the Environment	Soft Market to assess technology available to minimise impact on the environment (e. g. raised arrays allowing continual grazing), Contract specification to ensure contractor uses appropriate technology

	Factor	Impact	Mitigation/opportunity
Environmental **(cont.)**	(-/+) Sites identified have agricultural implications AND solar farms are considered temporary and should be removed after a specified period	Construction and installation should be reversible	Soft market to assess technologies available based on assessments provided. Contract specification to ensure site is reversible.
Social	(+) Council will own its own fully operational generation assets (+) Council will procure and manage the installation/project	Energy could be used to tackle fuel poverty or keep money within the local economy Construction phase could provide skills training, apprenticeships, work experience, employment opportunities and training	Council to consider best use of energy generated Scope potential social benefits from contractor and specify in contract
Technological	(-) Connection capacity (-/+) Fluctuation in solar market	Determines the size of arrays Cost of delivering the project	Early approval of applications Contract specification to allow HBC to capture benefits of decreasing cost in solar panels
Legal	(-) Solar farms will need to connect to the grid. (-) The use of energy, will require the development of legal documents	Grid connections may require access to land not owned by HBC Will require specific skillsets for development of these documents	Identify grid connection sites, identify possible routes, identify owners of land which HBC\UKPN may need access to Identify whether HBC legal service currently have these skill sets. If not identify appropriate third party to undertake duties

	Factor	Impact	Mitigation/opportunity
Legal **(cont.)**	(-) Judicial review pf planning	Up to a 1 year delay	Early stage engagement with community and other stakeholders
Economic	(+) Revenue for HBC (-) Complex project with many stages and requires significant upfront costs (-/+) Subsidies and other income from potential sites already received by HBC	Contributes to bridging the funding gap Risk that project may not reach construction phase and as such upfront costs are unrecoverable The council could lose subsidies and/or income generated by identified sites. This income underpins some existing budgets (e.g. Hastings Country Park)	Consider selling on the most financially advantageous Maintain proper project governance. This will include formal gateway reviews Identify all current income streams on a site by site basis. Assess impact on income streams. Identify mitigation methods to ensure continuation of income streams, or measure loss of income stream against potential income from solar farm

10. Financial analysis.

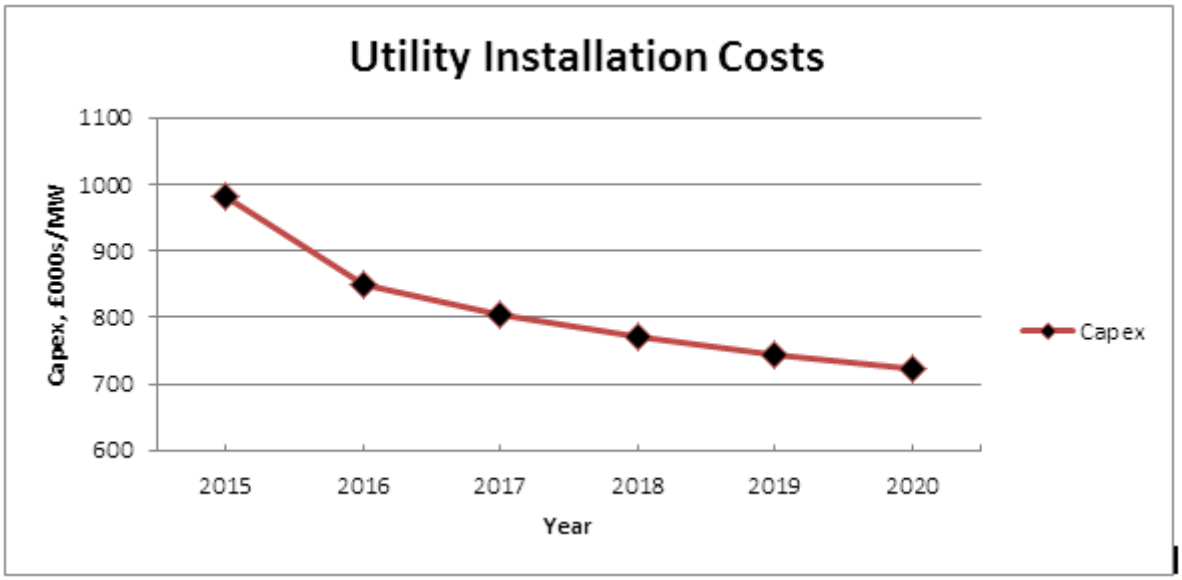
a. Projected cost of next gateway - £80,400

This money is to commission the specialist studies needed for a pre-planning application. This is broken down a follows (for each of the three sites):

- Heritage assessment £10,000
- Landscape and visual impact assessment £10,000
- Review by energy consultancy £ 4,000
- Land management, Ecology & Agricultural review £ 1,000
- Pre-planning consultation forum £ 1,800

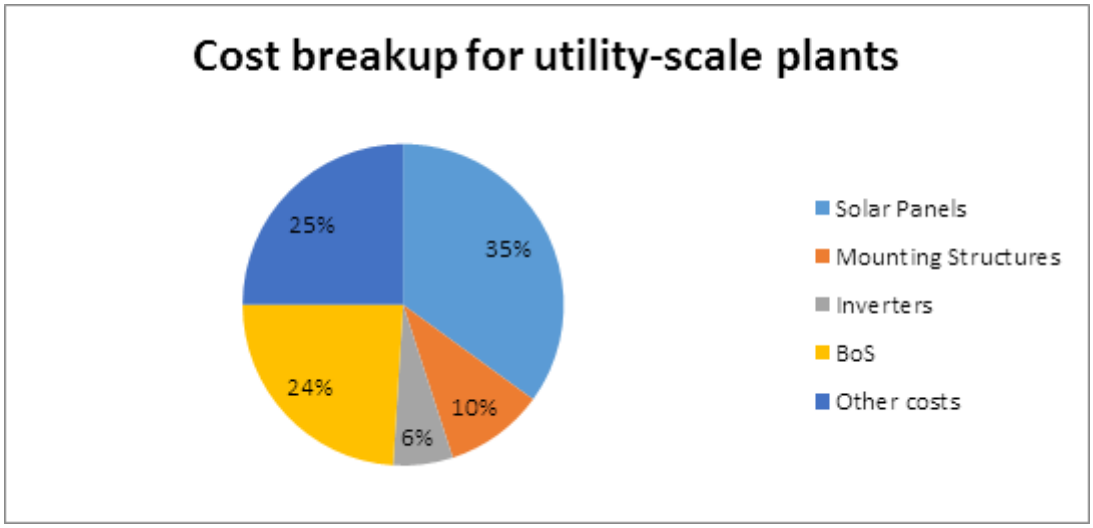
b. Projected capital costs - £2,100,000

According to Solar Trade Association (STA), the capital cost of installing ground mounted solar has been steadily reducing with the average cost per 1kWp installed capacity at just under £800 in 2018 and projected at £700 when the project would reach procurement. This would make the cost of a 1MW array £700,000 (excluding land value). This includes all connection costs (trenching, cabling, substations, etc.)They are predicting further reductions over the life of a potential HBC project.



Source: STA 2018

This expenditure is broken down as follows:



Source: STA 2018

c. **Projected revenue - £165,000 to £430,000 per annum**

As an early stage indication of how the HBC proposed ground mounted solar might perform financially we could look at the WSCC experience at Tangmere. This facility is now one year old. For the first year of operation WSCC elected to pre-sell the generation for a fixed price which capped earnings but minimised risk. This also gave them the basis to approve the capital spend for the project. Under this regime they were able to achieve a gross return of £55,000 per MW of installed capacity. If HBC were to replicate this arrangement for its proposed arrays we would achieve a gross yield of £165,000. Greater revenue can be derived by selling some, or all of the power in different markets in return for greater risk (uncertainty). Accurate revenue profiles will be developed with an energy broker (see para.6).

d. **Projected costs of borrowing – £120,000**

The cost has been calculated based on a 100% LTV annuity loan over 25 years from the Public Works Loan Board at an assumed rate for planning purposes of 3% (although the current rate 2.46%). The rate was set on 14th September 2018 and 20 basis points deducted for HBCs pre-registration.

e. **Projected operation and maintenance - £20,000.**

These assumptions are derived from conversation with officers of West Sussex County Council. Detailed examination of the options for operation and maintenance is an object of the next phase of the project.

11. Next steps

If the recommendations are accepted the following critical path will be followed:

Serial	Action	Responsible?	When?
1	Review high level business case and commence work, or stop.	Simon Hubbard/ Programme Board	13th November 2018
2	Prepare and submit Invest to Save bid.	Marcus Lawler/Programme Board	19th November 2018
3	Begin a project to test assumptions and deliver a more detailed business case	Simon Hubbard/ Programme Board	19th November 2018 to 16th April 2019
3a.	Soft market test (concept designs and indicative pricing)	Project Lead/ Programme Board	19th November 2018 to 8th February 2019
3b.	Commission and conduct specialist studies	Project Lead/ Programme Board	19th November 2018 to 8th February 2019
3c.	Develop options for the use of generated power (with LASER)	Project Lead/ Programme Board	19th November 2018 to 8th February 2019
3d.	Pre-planning applications (with both Rother District and Hastings Borough Councils).	Project Lead/ Programme Board	11th February to 22nd March 2019
3e.	Pre-planning consultation forum	Project Lead/ Programme Board	11th February 2019 to 22nd March 2019
4.	Produce detailed business case and conduct Board review.	Marcus Lawler/Programme Board	25th March to 10th April 2019
5.	**Project Gateway** Review detailed business case and make recommendations to Cabinet, or stop.	Simon Hubbard/Corporate Management Group	16th April 2019

a. Project governance - The establishment of ground mounted solar arrays is already a project within the Income Generation Programme and it will remain the responsibility of the programme to deliver it. There is a project scope and plan available from the Programme Board.

b. Organisational impact – The project plan will outline the resource requirements in detail. In summary, during the next phase (development of the detailed business case) the project will require from internal resource:

- Time from the Income Generation Manager to act as project sponsor and to write the plan and reports to the Programme Board/Corporate Management Group.
- Time from the Sustainability Manager to assist in the development of plans.
- Full time from the Technical Support Officer for 16 weeks to manage the process.
- Support from Legal, Finance, Estates, Planning and Environment and Natural resources departments to review and contribute to the detailed business case.
- Support from procurement – oversight of a soft market test during the next phase; oversight of the ITQ process to commission specialist studies; assistance with developing plans for next stage procurements.

12. Conclusion.

The indication at this stage is that this is a viable project which will meet the criteria to make a suitable contribution to objectives outlined in the Income Generation Strategy. There needs to be further analysis and testing of assumptions as outlined within this business case; this forms the next clear stage of the project plan.

Other documents (HBC restricted items)

Income Generation Strategy at:	Income Generation Strategy
Draft Energy Strategy at:	Energy Strategy
Project Plan and Scope at:	Project plan - detailed business case

Report to: **Cabinet**

Date of Meeting: **7 January 2019**

Report Title: **Cultural Development Fund**

Report By: Victoria Conheady, Assistant Director Regeneration & Culture

Purpose of Report

To present a consortium bid to the Department for Digital, Culture, Media and Sport / Arts Council England Cultural Development Fund led by Hastings Borough Council and request match funding.

Recommendation(s)

1. **To support the submission of the bid and the Council's leadership of the project should we be successful.**
2. **That the council shall sign the legal agreements with Arts Council England accepting CDF funding including commitment to the match for administration and management identified in paragraph 9.**
3. **To support the recruitment of the project team as outlined in paragraph 13.**
4. **To agree an amount of £50,000 capital (£11,500 p.a. additional revenue cost including interest and repayment) as match funding to the project at Hastings Museum (total value £350,000) as per the attached business case.**
5. **Delegated authority is given to the Director of Operational Services, or his nominee, in consultation with the lead member for regeneration to:**
    a. **Negotiate and conclude legal agreements with the managing authorities to implement and deliver the programme**
    b. **Negotiate and conclude legal agreements with project delivery partners and with successful grant applicants once the programme is commenced**
    c. **Approve and release funds to the project delivery partners up to a value of £3,835,000**
    d. **Deliver the HBC-led projects outlined in the bid.**
    e. **Deliver further HBC projects or vary those outlined if funding becomes available from within the programme or additional match funding.**

Reasons for Recommendations

This fund has the potential to make a significant contribution to our cultural regeneration ambitions, through supporting key cultural sector partners and Council-led activity.

Introduction

1. Cultural regeneration is a Corporate Priority for Hastings Borough Council. Significant investment has been made over the past 10 years in projects such as the Jerwood Gallery and Stade Open Space, Stade Saturdays, Coastal Currents Arts Festival and ROOT 1066 International Festival that have contributed to the development of the town and its hugely improved reputation. Continued investment is needed to maximise the impact of the cultural sector and relevant external funding is routinely sought.

2. The Cultural Development Fund (CDF) is a new fund supported by the Department for Digital, Culture, Media & Sport (DCMS), administered by Arts Council England (ACE).

3. The aim of the CDF is to support towns and cities to develop transformative culture-led economic growth and productivity strategies by investing in place-based cultural initiatives and the creative industries outside of London. Place-based initiatives are about bringing local people together to utilise their skills and knowledge to create places where people want to live, work and do business.

4. Through these culture-led strategies, the CDF aims to support:
    - culture and creative activity to unlock economic growth and productivity
    - culture and creative activity to make places attractive to live in, work and visit
    - strengthen local leadership in culture and/or the creative industries
    - enhance creative skills

5. ACE advised that Hastings does not represent a big enough economic area to apply alone. We therefore formed a partnership with cultural sector and local authority partners across coastal East Sussex. Our CDF programme builds on existing partnership work, including Culture East Sussex and the Coastal Cultural Trail, and individual strategies and priorities.

6. Hastings Borough Council is the proposed lead body for the bid.

7. The CDF call opened for investments from £3,000,000 to £7,000,000, spread over three years from 1 April 2019 until 31 March 2022. Ninety-four initial applications were received nationally and nineteen were subsequently invited to make a full application. The deadline submission of full applications was 19 October. Outcome of the full application will be the 1st February 2019.

8. In summary we submitted a bid for an East Sussex Coastal Creative Enterprise Zone, with the vision of creating a single coastal ecology for the creative sector. There are five strands to the project:

   a. Creating a skills 'ladder' of opportunities for young people interested in the creative and cultural sector, offering apprenticeships, accredited Creative Skills, volunteering, work experience and linkages to employer's needs.
   b. Accelerate the implementation the SE LEP Creative Open Workspace Masterplan, developing a network of flexible workspaces to support local creative entrepreneurs and capitalise on the outflow of creative professionals from London and Brighton.
   c. Venue development focused on maximising commercial activity, through three key CCT venues:
      - The Jerwood Gallery, Hastings
      - De La Warr Pavilion, Bexhill
      - Towner Art Gallery, Eastbourne
   d. Programme development focussing on sustainability for key festivals and events; implementing the Creative Roadmap with support from the South East Creative Cultural and Digital Support (SECCADS) programme.
   e. Place making; joint marketing for cultural tourism and inward investment; recognising that a vibrant cultural scene has been shown to contribute to successful place making.

9. The grant value amounts to £4,500,000, of which £365,000 is for management and administration and at least £1,005,000 (revenue) grant funding for Hastings borough. The total project budget is £19,299,016 which includes 77% match; 64% public, 30% private and 6% in-kind. This will support 270 businesses, create and safeguard 573 jobs, have an audience reach of 2,982,880 and provide skills training to 816 participants.

10. Projects delivered by HBC itself will be:
    - £50,000 to support the development of Stade Saturdays with £75,000 match funding coming from the Foreshore Trust budget allocation for public art programming
    - £300,000 for temporary creative workspace at Hastings Museum & Art Gallery for which the investment of £50,000 match funding is being requested. A pre-planning application has been submitted
    - There will also be a grant fund to support key festival and events across the zone that Hastings based organisations can apply to for support

11. Capital investment in Hastings will support:
    - Improvements to the Jerwood Gallery

- Development of 12 Claremont as artists' studios live/work space, led by Heart of Hastings Community Land Trust, and an accessible gallery, led by Project Art Works
- Further development of The Sanctuary, the home of Project Art Works and its nationally recognised work with people with complex needs

12. As is common with these kinds of projects, much of the match funding from partners is included as 'unconfirmed'. If we are successful, a partnership agreement will be drawn up between HBC and each delivery partner that will detail cash flow, provision of match and what happens if it is not secured.

13. Three new roles funded by the bid will be hosted by Hastings Borough Council - Project Director (0.4 FTE), Project Manager (1 FTE) and Project Administrator (1 FTE).

14. Capital expenditure and on-going revenue costs for the creative workspaces at Hasting Museum & Art Gallery are included within the CDF project cost of £350,000, including the allocated match funding from HBC of £50,000. Beyond the life of the CDF project the on-going revenue costs will be met from rental and retail income generated from the creative workspaces.

15. The projected revenue implication for the £50,000 creative workspaces match is £11,500 p.a., assuming an indicative 3% interest rate per annum over a 5 year term for the cost of borrowing.

16. Hastings Borough Council will be the accountable body for the total grant amount of £4,500,000 and will be responsible for reporting on the full budget of £19,299,016.

Timetable of Next Steps

Please include a list of key actions and the scheduled dates for these:

Action	Key milestone	Due date (provisional)	Responsible
Bid submitted	Bid submitted	19 October	HBC
Informed of decision		1 February 2019	Arts Council England
Project commences		1 April 2019	HBC

Wards Affected

All

Policy Implications

Relevant project tools applied? Yes
An indicative work plan, Gantt chart and risk register were submitted with the bid

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

Equalities and Community Cohesiveness:
The project has a strong focus upon inclusivity and social impact and address needs for identified disadvantaged groups across the boroughs and districts, particular people with complex needs who don't have equal access to cultural opportunities.

Economic/Financial Implications:
A key aim of the CDF is to increase economic growth and productivity in and through the creative and cultural sector. The project will directly support cultural sector organisations, support and safeguard jobs and support the visitor and hospitality sector. The capital investment is estimated to add around £11,500 p.a. to the revenue budget over 5 years.

Organisational Consequences:
Recruitment of three new roles as outlined about. In-kind support will be needed from a range of staff in Regeneration & Culture, Finance and Legal.

Local People's Views:
The cultural programme in the town has widespread support and this will give a significant boost to its development and sustainability.

Additional Information

Officer to Contact

Name	Damian Etherington
Email address	detherington@hastings.gov.uk
Phone no	01424 451151

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Report to: **CABINET**

Date of Meeting: **7 January 2019**

Report Title: **South East Local Enterprise Partnership Sector Support Fund**

Report By: **Simon Hubbard, Director of Operational Services**

Purpose of Report

1. To brief members on the success of the Coastal Communities Group of the South East Local Enterprise Partnership (SELEP) in securing Sector Support funding to develop a prospectus/supplement to complement the SELEP Economic Strategy Statement (previously known as the Strategic Economic Plan) and the forthcoming Local Modern Industrial Strategy of £40k matched against funding from a number of local authorities.
2. To seek authority to procure the consultants to develop and deliver this work on behalf of the Coastal Group.

Recommendation(s)

1. **That the Director of Operational Services or his nominees are authorised to procure contractors to undertake the work of developing a SELEP Coastal Communities prospectus.**
2. **The Chief Legal Officer is authorised to sign the contractual relationship to secure this work.**
3. **That agreement is given to the acceptance of grant aid via SELEP/East Sussex County Council and contributions from other councils towards this work.**
4. **That authority is given for the expenditure for this project up to a maximum value of £60k.**

Reasons for Recommendations

The work proposed is undertaken on behalf of a wider body of local coastal authorities with the aim of increasing support for regeneration and investment in the SELEP coastal communities. The Economic Strategy Statement and Local Modern Industrial Strategy are likely to be highly influential on future SELEP priorities. Future UK Shared Prosperity Funds are likely to be informed by these documents.

The work is intended to lead to enhanced co-operation between coastal partners and the development of more strategic relationships with potential funders, such as Arts

Council, Heritage Lottery Fund and Big Lottery as well as the SELEP funding opportunities.

Background

1. SELEP is the Local Enterprise Partnership covering the local authorities within East Sussex, Kent, Essex, Southend, Thurrock and Medway. It has the responsibility for leading and co-ordinating economic growth within the region and is a channel for government funds in this respect. LEPs are intended by government to be business led however the role of local authorities, particularly upper tier or unitary authorities is very significant. This is scarcely surprising given the structural and strategic nature of much of what is delivered – for instance transport or skills training.

2. The SELEP structure is a federated one with arrangements for each of Kent/Medway, Essex/Southend/Thurrock and East Sussex. A central accountability board exists to assess bids for funding to ensure funds are directed at regionally appropriate and deliverable projects. A Strategic Board exists which is primarily intended to consider regional strategic issues and have oversight of the organisations work. The chair is appointed while the vice chairs are the chairs of the respected federated areas. Locally the federated structure is called Team East Sussex (TES) and is chaired by Graham Peters a local business representative. The membership of both the Strategic Board and the TES Board is attached for member interest. The Hastings Borough Council Leader is one of the TES representatives to the SELEP Strategic Board.

3. SELEP is the largest of any LEP and contains around 25% of its population along the coast. Whilst some of the coast is prospering there are a number of coastal locations including Hastings that are significantly underperforming economically.

4. The SELEP Coastal Community Group was established alongside others (like rural areas) and was initially led through Tendring, Thanet, Hastings, Dover and Rother councils. Hastings led work around private sector housing (which gained funding of £666,666) and support to creative business (funding of £2.34m) alongside Tendring and Thanet. The group commissioned a 2012 study by Sheffield Hallam University into the coastal economy looking at the position and this remains the best analysis available of economic and social performance.

5. It has become clear however that a more long term and strategic approach to coastal issues is required. There have been considerable successes but the fact remains that SELEPs coast contains many places that continue to underperform economically but also offer great potential for improvement – and to raise the overall performance of the SELEP region. Hastings, Rother and Tendring were approached by Adam Bryan the Chief Executive Officer of SELEP to see if the new SELEP Economic Strategy Statement (ESS) which was approved in December 2018 could be supplemented by specific focus on the potential for coastal growth and how that might be achieved. In order to finance this work a bid has been put together and is based upon a revenue grant of £40,000 Sector Support Fund from SELEP and £20,000 divided between local authority partners over 2018/19 and 2019/20. At the time of writing the report ten local authorities have indicated support for the scheme on which basis the cost would be £2,000 per council divided over two financial years.

6. The value of undertaking such work has been further increased by the announcement that LEPs are to lead the development of new local industrial strategies within their areas which will be aligned to the national modern industrial strategy. SELEP anticipates that it will begin this work in early 2019 to have the strategy in place by March 2020. There is therefore an opportunity to ensure that the needs and priorities for developing business and employment area is strongly reflected. The Chief Executive Officer of SELEP appeared before the House of Lords Select Committee on regenerating Seaside Towns and outlined the potential that exists for enhancing the region's performance through increasing the productivity and contribution of the coast.

The Challenge

7. The SELEP coast is remarkably diverse. The 2012 Sheffield Hallam study commissioned by the Coastal Group identified 35 communities (excluding estuary towns)

   - 4 large seaside towns with substantial problems (Clacton, Margate, Ramsgate, Hastings)
   - 4 Ports with a fair measure of difficulties (Harwich, Dover, Folkestone, Newhaven)
   - 3 smaller places with acute problems (Jaywick, Camber, Sheppey)
   - 2 large towns with lesser problem (Eastbourne, Southend)
   - 6 smaller towns generally during ok (Frinton/Walton, Whitstable, Herne Bay, Broadstairs, Deal, Bexhill)
   - A significant number of small generally more prosperous communities.

   There have been improvements in many places. However the fact remains that the coast has a series of opportunities for joined up action and the use of resources. With some exceptions the coast has not closed the "performance" gap with the region or UK.

8. Not only is there significant diversity but these areas are:

   - Separated one from another. This presents the challenge of trying to improve several places in order to improve the performance of the coast as a whole.
   - Separate from the wider economy and market. These gaps are often physical, but also include skills, employment readiness and low land values to support development.
   - The level of deprivation on the coast remains high. On a Borough basis Hastings is the 2nd most deprived coastal community after Blackpool.
   - In addition 5 of the coastal Boroughs within this partnership have areas with category C assisted area status within them, recognised by the EU for their market failure, but also that they have the opportunity to combat this, via strategic intervention. These are in Hastings/Rother, Thanet, Tendring and Swale. There is an additional area in estuary based Medway.

9. The coast has recently excelled at culture. This has often been image changing and has attracted new visitors with higher spend and an influx of new residents. It has also produced a change of image for towns like Hastings, Margate, Folkestone

and Bexhill. However, this tends to be in limited areas (near seafronts with cheap Victorian property in many areas). This can mean:-

- Parts of towns are increasingly unaffordable to average wage earners.
- Limited impact on much of the wider economy.
- A view that these areas have been regenerated when in fact much remains to be done and what has been gained remains fragile.

10. The funds aimed directly at or often sought by coastal bidders often have strong cultural/artistic elements (Arts Council England, Heritage Lottery Fund etc). These are very useful but neglect the need to create more diverse economies capable of generating wider prosperity.

11. Sustained physical intervention inside coastal towns to create employment, education space and new housing is required and it needs to be of sufficient scale to have meaningful outcomes. Developments on the outskirts of conurbations have to be managed carefully to avoid damage to town centre economies.

12. It is often challenging to do things on the coast. Land values are often very low (not universally). Premises are often expensive because old buildings require sensitive treatment. Building costs are often high because local companies can obtain contracts in the London area. Public realm and seaside Victoria infrastructure requires significant investment and upkeep, often constrained by conservation and heritage listing restrictions.

13. Low levels of skills and high levels of health issues often mean difficulties for employers considering investment.

14. There are insufficient resources to drive the public realm improvements required to support investment by both the tourist industry or companies looking at an attractive place for relocation. Members are also aware of the impact of 180° market in coastal towns.

15. Set against all of these factors has been the very significant success of places like Hastings, Margate and Dover in attracting resources that have begun regeneration. The coast has much to offer the region and UK and can point to effective delivery structures and partnerships.

Description of Project

16. The particular challenges facing coastal economies have been well documented by various research studies and has shaped government policy through initiatives such as the Coastal Communities Fund, Coastal Communities Teams, and the current House of Lords Select Committee inquiry.

17. The new SELEP Economic Strategy Statement (ESS) makes reference to the need for a bespoke package of investment to support coastal economies; however the economic case for such a bespoke package has yet to be articulated.

18. Coastal areas have of course received benefits from existing programmes such as the Local Growth Fund & Growing Places Fund; however these funding streams favour interventions that deliver direct economic outputs at a large scale. They do

not favour SME-led economies nor address some of the wider issues referred to in the new ESS; particularly around place-shaping and the need to invest in the wider social infrastructure in order to attract private sector investment in capital, jobs and skills. Coastal communities need to grow SME business and encourage investment by larger businesses as the opportunities arise.

19. This project is intended to prepare a coastal reinforcement to the new ESS, to act as an investment prospectus that will articulate the economic opportunities and priorities specific to coastal areas and make a strategic case for investment, based on an evidence-led approach that demonstrates the potential economic outcomes, benefits and the comparative costs of investing on the coast compared to areas of the region better connected to transport and economic infrastructures.

20. Consultants will be appointed to:

- consider the current and future opportunities of the Coastal Communities and their potential purpose in the regional economy;
- analyse the opportunities and barriers to investment and growth;
- identify a number of key strategic interventions that may accelerate growth;
- recommend to SELEP a limited number of strategic priorities for action, identifying key outputs and outcomes that will enable success to be measured

It will also be suggested to partners that an examination of funding potential post Brexit is undertaken given the current significance of EU funds.

21. The project prospectus will be thematically led, focussing on those areas which are of particular relevance and important to coastal economies; building on economic research carried out by Sheffield Hallam University and other relevant studies. The research identified the variation in economic and social conditions along the coast and forms the basis for both prioritisation and a flexible approach.

Financial Implications

22. The following councils have indicated commitment to support the project

Rother	Maldon	Eastbourne
Southend	Dover	Hastings
Tendring	Thanet	Rochford
Lewes		

It is possible that confirmation of SELEP funding may increase participation as it is intended to extend involvement in steering the project to those who have contributed to it.

23. A full commission for the consultants will be developed and a steering group set up to co-ordinate it. Commissioning will be through the East Sussex Procurement Hub.

24. It is envisaged that the work will be commissioned by August 2019 and completed by the end of December 2019, subject to the views of the steering group and the speed with which funding is released. Because only upper tier authorities can directly receive funding for LEP funded projects East Sussex County Council will

act as project sponsor and Hastings Borough Council will receive the funding through them and report back upon progress.

Policy Implications

25. Risk – Funding from partner councils may not be paid. Tendring Council have supplied confirmation of agreements from nine councils. Hastings Borough Council has received direct confirmation from Rochford. HBC's share will be funded from within existing budgets. This is regarded as relatively low risk.

26. Organisational – The project will impose initial burdens on legal services while the agreements are made. The supporting of the work will be undertaken via the regeneration team and offers a substantial opportunity for learning and development for staff. It is anticipated External Funding Officer will assume management responsibility will assume responsibility for day to day work. Oversight will be from the Director and Assistant Director.

27. Once the project steering group has convened a formal project plan will be adopted reflecting the partnerships agreed way forward.

Timetable of Next Steps

28. Please include a list of key actions and the scheduled dates for these:

Action	Key milestone	Due date (provisional)	Responsible
SELEP Board Decision	Board Meeting	Approved 07/12/2018	SELEP
Grant approved by sponsoring upper tier council	Lead Member decision	January 22/01/2019	East Sussex County Council
Consultancy brief shared & approved by stakeholders	Approval of brief by funding partners. Set up Steering Group	February 2019	Steering Group/HBC
Tender Process and selection of consultant	Consultancy advertised by East Sussex Procurement Hub	End February 2019	HBC/East Sussex Procurement Hub
Award Contract	Offer letter made + contract signed	August 2019	HBC on behalf of Steering Group
Stage 1 completion – stakeholder engagement & research	Submission of outcomes to Steering Group	November 2019	Consultant
Second stage – draft recommendations & consultation	Agreement of draft report by Coastal Group. Cross reference with partners working	December 2019	Coastal Steering Group

	on draft Industrial Strategy.		
Final draft submitted to SELEP board for approval	Adoption by SELEP Board	January/February 2020	SELEP Board

This provisional timetable will be reviewed by the Steering Group early in 2019 and is therefore subject to revision.

Wards Affected

N/A

Implications

Relevant project tools applied? Yes – Project documentation will be put into place once the Project Steering Group has reviewed the commissioning documents and timetable.

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	No
Human Rights Act	No
Organisational Consequences	Yes
Local People's Views	No
Anti-Poverty	No

Additional Information

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

Officer to Contact

Simon Hubbard shubbard@hastings.gov.uk
01424 451753

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Agenda Item 11a

Report to: Cabinet

Date of Meeting: **7 January 2019**

Report Title: **Business Rates Pilot 2019/20**

Report By: Peter Grace
Assistant Director Financial Services and Revenues
(Chief Finance Officer)

Purpose of Report

To agree to enter into a Business Rates Pilot for 75% business rates retention as part of the East Sussex Business Rates Pool

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Recommendations

1. The Cabinet confirm the Council will participate in the 75% business rates retention Pilot.

2. Agree that the finalisation of the Memorandum of Understanding and any other arrangements are delegated to the Chief Finance Officer.

Reasons for Recommendations

Local authorities are free to come together to form pools for Business Rates purposes, as the Council has done for 2018/19. In this financial year the government asked for Pools to apply to be pilots of 75% rates retention (currently 50%). In such cases tariffs and top-ups are combined – and this should result in lower payments being made to the government. Authorities within such arrangements need to agree how risks and benefits are shared. A pilot pooling arrangement could result in additional resources being retained within East Sussex. The estimates identify sums of £4.3m in 2018/19 which would be shared between authorities and used for financial stability and economic development purposes.

Introduction

1. An application was submitted on behalf of the East Sussex County, Borough, and District Councils and the East Sussex Fire Authority in October 2018 to become a Business Rates Pilot for 75% business rates retention as part of the East Sussex Business Rates Pool.

2. In announcing the Local Government Settlement on 13 December 2018 the government advised that the bid has been successful. The Councils have the opportunity to say no during the local government finance settlement consultation period if on reflection it is not considered financially advantageous to do so.

Main Report

3. A new funding regime was introduced on 1 April 2013 whereby local authorities effectively retain a proportion of any additional business rate income collected (above inflation) or conversely will experience a reduction in resources if the business rate base declines.

4. 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 (RPI). The proportion retained by individual collection authorities in East Sussex is 40%, 9% is payable to East Sussex County Council, and 1% to Fire and Rescue authority (the government receive 50%).

5. The 50% central government share is distributed through the Local Government settlement process (Settlement Funding Assessment) – thus enabling the government to control the overall amount received by local authorities. Where there is disproportionate growth this is used to provide a safety net for those authorities experiencing little or negative growth and allows the treasury to top slice business rates income. A reset mechanism will be in place with the first reset in 2020.

6. On Tuesday 24 July 2018 MHCLG (the Ministry) published the Business Rates Retention Pilot prospectus: Invitation to Local Authorities in England for 75% business rates retention in 2019-20.

Top ups and Tariffs

7. These are set that, all things being equal, an authority will have started with the same resources under the new system as it had under the old. Thus if a local authority collects £20m in Non Domestic rates and receives £5m in grant it will pay some £15m to the government.

The Levy (Payable on growth)

8. For each 1% increase in the business rates base, the authority will see no more than a 1% increase in income as measured against its spending baseline, i.e. a 5% increase in non-domestic rates would give a 5% increase in retained Business Rates relevant to the base line.

Pilot Application

9. A report on the potential for East Sussex being a 75% Business Rates Retention Pilot was first considered by Chief Executives/Directors of respective Councils and the Fire Authority where it was agreed unanimously that an application should be submitted on the basis of the arrangements and recommendations outlined in this report.

10. The Pilot is for the 2019/20 year only as Government has indicated that it intends to pursue 75% Business Rates Retention, which it can do within existing legislation, alongside the business rates reset and following the Fair Funding review.

11. The prospectus stated "The government is interested in exploring how 75% rates retention can operate across more than one authority to promote financial sustainability and to support coherent strategic decision-making across functional economic areas. Accordingly, the government would like to see authorities form pools (either on existing or revised boundaries) and, with agreement in place from all participating authorities, to apply jointly for pilot status. We would expect a proposed pool to comprise a county council and all of the associated district councils; a group of unitary authorities; or a two-tier area and adjoining unitaries, but it should extend across a functional economic area. Proposals will need to set out tier split arrangements of all precepting authorities, including Fire and Rescue authorities."

12. A company called LG Futures has been employed by the East Sussex authorities to collate and advise on the financial viability of the scheme, modelling some of the risks and identifying appropriate governance arrangements.

13. For the 2018/19 financial year, the County Council, Districts and Boroughs and the Fire Authority are in a Pool. This brings additional resources to the County area as it allows the pool to retain the levy otherwise charged on business rates. Under this arrangement, the retained levy (which is equal to 20% of the total growth) is split 40:50:10 across the County Council: Districts and Boroughs: Fire Authority respectively. The split of this gain within a pool area is agreed locally.

14. Without a pool the 50% retained rates would be split 9:40:1 respectively, with Districts and Boroughs having to pay 50% of their growth back to central government.

15. Table 1 below shows an analysis, based on Districts and Boroughs NNDR1 January forecasts, of business rate income in 2018/19 across authorities.

Table 1 Current Pooling Gains

	Forecast Income £m	Pooling Gain Redistributed £m
	NNDR1 18/19	18/19 Pool Calculation
Eastbourne BC	15.6	0.3
Hastings BC	9.4	0.1
Lewes DC	11.0	0.3
Rother DC	8.4	0.3
Wealden DC	14.7	0.6
East Sussex Fire	1.5	0.3
East Sussex CC	13.3	1.3
TOTAL	**73.9**	**3.2**

16. Table 2 shows the potential pilot gain over and above the pool by using the proposed pilot arrangements.

Table 2 Potential Pilot Gains

	Current Pool Split with levy	Split	Pilot Income 2019/20 £m	Pilot Gain
Eastbourne BC	30%	44%	5.0	0.5
Hastings BC			5.1	0.1
Lewes DC			3.2	0.4
Rother DC			3.4	0.4
Wealden DC			4.7	0.8
East Sussex Fire	3%	5%	8.0	0.3
East Sussex CC	17%	26%	81.8	1.7
TOTAL	**50%**	**75%**	**111.2**	**4.3**

17. In brief the financial case for a pilot bid is compelling. The pilot proposal for 2019/20 does not include a 'no detriment' clause. The pilot retention percentage relates to growth only, not all rates.

Risk Management

18. In agreeing to become a pilot, grant income relating to Revenue Support Grant (RSG) will be rolled into business rates for East Sussex. Therefore the risk is that

retained growth does not cover the guaranteed grant income (£988,000 for HBC) and the area could be worse off than if it operated under 50% arrangements.

19. The businesses in East Sussex are largely supermarkets and retail and there is no one single or few large hereditaments that make up the yield. This means that for East Sussex there would have to be a national event for business rates to fall significantly.

20. The memorandum of understanding (MOU) includes a no detriment clause for individual authorities so that authorities are no worse off than the existing pool arrangements. Authorities would only begin to lose out overall if business rate income fell across the whole of East Sussex.

21. The government's safety net for Pilot authorities at 95% provides a higher level of protection than the 92.5% that is available to authorities that are not in a pool or pilot.

22. If the Pilot bid is unsuccessful then the Councils will revert to the current 50% pooling arrangement.

Lead Authority

23. Wealden DC has been the lead authority and is happy to continue in this role LG Futures will be contracted to advise the pool in 2019/20), and this will also provide a degree of objectivity and impartiality for all parties. The very limited costs being shared equally between the seven authorities.

Splitting the Gains/Losses from Pooling

24. The allocation of resources will be based on the following principles:

    (i) Each individual authority, if resources allow, will receive at least the same level of funding they would have received without the 75% Pool (i.e. authorities acting as a 50% pool).

    (ii) Any additional resource that is generated will be shared by pool members using the basis of allocation below. This allocation methodology looks to reward members of the pool for achieving business rate growth.

25. The underlying basis of allocation is as follows:

    (a) The running costs of the pool, if any, will be initially paid by the lead authority and will be paid to them on a pro rata basis (based on the increased resources from being in the pool).

    If after (a), there are still resources to be distributed, then authorities will retain their own growth, based on the following local shares:

Tier	Proportion
County	26%
District	44%
Fire	5%
Total	**75%**

26. Where the pool makes a loss, the loss will be funded by each Pool Member proportional to the cash amount that would have been received from central government if the Pool arrangement was not in operation from the business rates retention scheme.

27. The government have an expectation that pilot Councils will demonstrate how they will use the gains to benefit their local area. In relation to the East Sussex Business Rates Pilot the gains would be divided as follows:

    (a) Financial Stability Element – this will be the equivalent of the 50% gain under the current pooling arrangements;

    (b) The Economic Development Element – this will be the 25% additional gain from the Pilot.

Conclusion

28. Whilst the forecast gains are not as significant for Hastings BC as the other authorities in East Sussex they are much needed. The Council will also benefit with additional resources being available to neighbouring authorities, the County and the Fire authority.

    The Council has a greater degree of protection from the safety net in the pilot than it would as a stand-alone authority should business rate income fall significantly throughout the county.

Policy Implications

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

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

Additional Information

None

Officer to Contact

Peter Grace
pgrace@hastings.gov.uk

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