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Cabinet Agenda

Monday, 11 February 2019 at 6.00 pm

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

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Agenda Item 4

Report to: **Budget Cabinet**

Date of Meeting: **11 February 2019**

Report Title: **Draft Corporate Plan 2019/20**

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

Purpose of Report

To present the draft corporate plan 2019/20, together with feedback from the public consultation.

Recommendation(s)

1. **That the Cabinet recommends to the Full Council, that the content of the attached documents form the basis of the council's corporate plan 2019/20, subject to the proviso that any significant amendment made to the council's draft budget be reflected in the final corporate plan text.**
2. **That delegated authority be given to the Director of Corporate Services and Governance, after consultation with the Leader of the Council to make further revisions as is considered necessary to the attached plan prior to publication to reflect decisions made on the council's budget.**
3. **That all those who submitted views as part of the consultation process be thanked for their contributions**

Reasons for Recommendations

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

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Introduction

1. The corporate plan sets out the council's strategic direction. The draft corporate plan outlines the challenging financial climate in which the council continues to operate, followed by what we plan to do to best meet local need with the resources we have. Teams across the council have been reviewing progress against the targets in the current corporate plan to identify key programmes and activities for inclusion in the plan for 2019/20.

2. The plan includes infographics of relevant statistics for both the town and our services that set the scene for the key activities planned to take place over 2019/20. These complement the vision, mission, values and priorities that are consistent with previous years.

3. Building on the format of the existing corporate plan, this draft specifically sets out by service area those key activities we must do first and then choose to do next. This reflects 'our position' and 'our approach' that underpin how we will plan for the future, navigating the challenging financial climate detailed in the draft budget.

4. Progress against these 'must do' and 'choose to' do activities, our key programmes of work and performance indicators will be monitored quarterly by the Overview and Scrutiny Committee.

5. A list of performance indicators from the 2018/19 plan have been included at the end of the draft document. The performance indicators will be agreed in July 2019 once we have analysed year-end performance from 2018/19 and Overview and Scrutiny have had the opportunity to consider the targets to be set in detail.

Consultation

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

7. The consultation closes on 11 February. A summary of the responses received so far can be found below. Any further comments received after this report has been published will be submitted to Cabinet separately, after the consultation has closed.

Hastings Area Chamber of Commerce

8. Councillor Chowney attended the chamber meeting on 30 January. The following questions were asked:

   Question: Is it wise to invest in a straw bale visitor centre at the Country Park?

   Response: The majority of funding for the new straw bale visitor centre will be from EU funds.

   Question: Are European Union (EU) funds now drying up?

   Response: At present we can still apply for these funds. Many EU funding streams have been geared towards tackling deprivation and subsequently the

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council has been successful in applying for a number of EU funding streams given the town's demographics. Future funding is uncertain and may become clearer as Brexit arrangements unfold. There is talk of the government introducing a new Shared Prosperity Fund. If this is introduced, it is unclear whether this will have a similar focus to EU funding streams supporting more deprived areas or whether it will focus on making prosperous areas even more so.

Question: Can you elaborate on the new business units mentioned in the presentation?

Response: These will be based at Sydney Little Road. At present the building costs outweigh the value of rents we would expect to receive when the units are complete. The council is currently sourcing external funding to support the development of these units.

Question: The presentation mentioned new accommodation to address homelessness…when will this be available?

Response: Via the Housing First programme we have two clients that have moved into permanent accommodation and four due to make this transition shortly. Through the Rough Sleeping Initiative we have a share of £600k with Eastbourne to bring on-street homeless into supported accommodation. Our current count of on-street homeless is 37 and it is intended that this number be helped into supported accommodation. However numbers may increase and the funding is time limited.

Question: Isn't doing away with rough sleeper numbers a false hypothesis?

Response: At present monies will help in the short term, but national policy change is required to make a more sustainable lasting change. Homelessness is also exacerbated by reductions in funding to support services and lack of affordable accommodation.

Question: The council has some ambitious income generation programmes in the pipeline; with assumedly big operational costs…Should the council not postpone the larger schemes and go for smaller more manageable ones with less risk given the budgetary challenges and uncertainty outlined in the presentation?

Response: It is important that the council remains ambitious retaining a long term vision for the town and undertaking big and small schemes as these often complement each other. Some of the costs can be capitalised once the schemes commence and we are keen to pursue schemes that address our housing needs. It will be important to cover the funding gap immediately.

Question: Are you confident that the funding deficit can be covered?

Response: Yes. We will need to wait for the fair funding announcement in July to gain clarity on future finances. There is the possibility that monies will move from metropolitan areas to the shires as part of the fair funding review which will follow. If this is the case, then the lions share may well go to the upper tier authority, which in our case is East Sussex County Council. We will need to bridge the gap by making savings, generating more income and possibly using savings to cover a peak in the deficit in 2020/21.

Question: Is there a possibility of combining works on ground maintenance and gardens with mental health services?

Response: The council's ground maintenance is done via an external contractor. While it is recognised that such work is worthwhile such schemes tend to be costly at a time when we must look how we can save money.

Hastings Youth Council

9. Councillor Forward met the Youth Council at their meeting on the 17th of January in the Council Chamber.

10. The presentation on the draft corporate plan and budget by Councillor Forward inspired further discussion and clarification to Youth Council Members on some of the different areas of responsibility between East Sussex County Council and Hastings Borough.

11. No specific comments on the draft corporate plan and budget were made and the Youth Council were encouraged to consider a formal response to the consultation should they felt this to be appropriate.

12. This response was forthcoming on the 22nd January and can be found in full in the appendix (i) to this report.

Staff and Management Forum (SMF)

13. Cllr Forward met members of the SMF at their meeting on the 22nd January. The following questions/comments and responses were made around the following themes: temporary accommodation, online services, redundancy, access and finance.

Question: If we are buying property because of problems with the suitability and cost of bed and breakfasts as temporary accommodation, how will that work?

Response: We will be purchasing a number of different types of properties so we can match them to suit the needs of the individual in question.

Question: What happens after we place people in temporary accommodation?

Response: Before placing someone in temporary accommodation they work with a Housing options officer to develop a personalised housing plan which sets out the steps that they will take and the council will take to secure long term accommodation. The plan is regularly updated and the work continues all the while they are living in temporary accommodation.

Question: Will these temporary accommodation properties be subject to right to buy?

Response: The properties will be purchased and provided through Hastings Housing Company and therefore will be privately owned and not subject to right to buy.

Question: You are reducing benefits staff with the introduction of the new system and with the increasing switch to Universal Credit, but won't the new system still require their skills and expertise?

Response: We are only scaling back staff proportionate to the changes we are seeing and that are backed up by the figures and in line with the intelligence that we have.

Question: The redundancy figure was 14.6FTE back in November but the play development role has since come out so what has been added in to keep the figure the same?

Response: There was an error in the totalling of number of FTEs in the earlier document, it should have read 15.6FTE - the titles etc were correct.

Question: Will online services be ready to coincide with planned redundancies?

Response: Yes in line with project planning.

Question: What about residents who are not online and don't have computers or smart phones?

Response: They can still come into the Community Contact Centre where they will be helped to access the services they require. There are a number of PCs in the Community Contact Centre and staff are available to help customers use them. This is also why we are investing so much effort in making sure all of our communication is Plain English and has a readability of 9 years.

Question: Most of the proposed reductions appear to be to frontline services how does this coincide with protecting front line services?

Response: If we weren't protecting frontline services the picture would look very different – we would be stopping whole services altogether rather than just scaling back.

Question: Why are contract staff being paid more than HBC staff?

Response: We try to avoid this where at all possible but where we cannot recruit we need to pay the market rate to ensure we can still provide key services for our customers.

Question: Are the figures for the Direct Service Organisation for street cleansing accurate?

Response: Yes.

Local Strategic Partnership (LSP)

14. Cllr Chowney gave a presentation to the LSP as part of their meeting on the 28th of January. The following question and comment was raised:

    Question: What is the reduction of expenditure from this year to last?

    Response: Overall savings from 2018/19 to 19/20 is approximately 1 million net.

    Comment: Should the council be engaging with partners on future proposals for community partnership funding, modelling what could happen next if this funding stops?

    Response: Yes the council definitely intends to have these conversations with partners on options and alternatives.

Hastings Community Network

15. Councillor Chowney is due to attend a meeting of the Hastings Community Network on 4th February. This meeting is scheduled after the deadline for publication of this report, therefore feedback from HCN will be tabled at the Cabinet meeting and appear as a supplementary item to the papers when it is ready.

Budget Overview and Scrutiny Committee

16. A meeting of the council's overview and scrutiny committee was held on 24th January, to consider the draft corporate plan and budget.

17. The Committee contributed a range of views, comments and questions on the draft documents following a presentation by Cllr Chowney:

    Question: What is the rationale for no longer recruiting an Empty Homes Officer?

    Response: The number of long term empty properties has reduced over time. We still intend to retain our current performance targets. There is scope to increase council tax charges on long term empty properties.

    Question: What is the rate of return on housing investment and our future intentions for associated investment via the Housing Company?

    Response: A two percent margin is the current predicted rate. Due to not having the right staff in the right place, progress on meeting our associated targets has been slower than intended, but the Leader committed that purchases will ramp up in the future. It was also acknowledged that current work in this area has been further hampered by time taken to address problems identified through the surveys undertaken on properties prior to potential purchase.

    Question: In terms of White Rock and Bohemia aspirations, is there scope to review our investment intentions here and potentially postpone these, if deemed more viable in the future?

Response: If we can bring the costs down then we will look to do so. There are a range of options being worked up given the scale of this work and it will be a number of years before a new scheme is implemented. Our priority in the short term is ensuring the safety of our existing leisure facilities for our residents and visitors.

Question: In terms of business rate retention, is it right that we need to attract more businesses to the town to make up for funding reductions elsewhere?

Response: Yes, business rate growth is essential to make up for shortfalls elsewhere. There is still uncertainty on the proportion of business rates the borough will retain and a government report is due on this in due course.

Question: Has the impact of Brexit been included?

Response: Recently the Audit committee received an impact assessment on this.

Question: What scope is there at North Bexhill and the Queensway Gateway to encourage business growth and associated rates?

Response: Most of the land is owned by East Sussex County Council, HBC do own some land at North Queensway, although we have drainage issues with this land making it more difficult to develop. HBC would stand to benefit from business rates on developments here. We will need to work with Rother and other appropriate partners to bring forward development opportunities.

Question: Does the Leader feel proud of the draft corporate plan and budget?

Response: Proud of minimising compulsory redundancies and the way the challenges are being handled. Not proud of having to make cuts on this scale as it is not what any standing councillor would want to come into local government to do.

Comment/Question: The corporate plan infographics identify ever challenging demographics. While the borough is physically changing, the life chances of some of our more deprived communities remain stubbornly unchanged or worsening, what can the council do and what methods can we employ to improve things?

Response: We know Hastings has some of the most deprived areas and we are proud of the fact we minimise council tax for the most deprived. The CLLD programme works to build opportunities for learning, training and work readiness in our most deprived communities. Our development intentions may be controversial against our demographic challenges and will need to be self-funding and commercially viable. Our ‘Grotbuster’ programme continues to improve the appearance of the town and the seafront.

In terms of methods, there is little more that can be put in the corporate plan to effect the changes at present, but specific views and ideas of committee members are welcome and sought now as part of the consultation and over the course of delivery of the plan. The corporate plan will continue to be a live document and we’ll make appropriate changes where necessary.

Question: Is there more detail that can be shared on the fair funding review?

Response: The council will know more following the government's comprehensive spending review in the first quarter of next year and further clarity on business rate retention. There is the possibility that monies will move from metropolitan areas to the shires as part of the fair funding review which will follow. If this is the case, then the lions share may well go to the upper tier authority, which in our case is East Sussex County Council. We suspect there will be a transition scheme for those set to lose out on changed arrangements.

Comment/questions: Given the funding uncertainties, the extent to which the council can generate income will be dependent on how well we can talk up the town, ensuring the image of the town catches up with reality…How then can the budget process be used to support this and the corporate plan instigate a wider conversation with the town, setting out a vision and ideally a budget for five years rather than one year?... And spread the planning and engagement throughout the year rather than the condensed time window in which the current documents are agreed? Moreover given the importance of capital, is there scope to have more advanced discussion on the capital element of the budget?

Response: There are some statutory requirements such as ensuring we set a balanced budget and set the council tax rates that dictate some aspects of the process. We will be looking at the capital programme through the treasury management strategy immediately following this budget process.

It is agreed that the multiple uncertainties we face as well as new opportunities call for new or changing ways of working and the council has already undergone significant recent change and continues to recalibrate. While our staff capacity for outreach and engagement has diminished in recent years there are new opportunities via social media and making better use of councillor intelligence to sustain more regular and ongoing dialogue with our communities. Working with the Overview and Scrutiny Committee to review existing practice, refine a longer term vision and blueprint to talk up the town in the ongoing development and improvement of our corporate plan and budget process would be welcomed.

Question: Within the new waste contract is there a recycling target given that waste has increased and recycling has decreased?

Response: Yes there are targets in the new contract. Recycling has flat lined nationally and our recycling figures exclude garden waste. Under the new contract the council will not get recycling credits as it has done previously, but should the market pick up for recycling the council would look to negotiate this again with partners through the new contract.

18. The Overview and Scrutiny committee did not request specific changes or amendments to the draft corporate plan and budget documents as they stand.

Other Consultation responses

19. The council received some consultation responses via the council's consultation e mail address:

20. The friends of the Country Park expressed their disappointment in terms of proposed reductions to Rangers and increases to car parking charges, making the point that parking charges will likely deter visitors to the Country Park resulting in less income.

21. Some individual suggestions were received proposing that we, get rid of on-street parking restrictions, seek to make our housing provision 'affordable' where possible and reflect this in the corporate plan as well as flag the 'good work of the Safety Partnership.'

22. Other views received conveyed that reductions of funding to culture and play were at odds with priorities such as 'cultural regeneration.'

23. Praise was received for the cultural and play activities/days previously delivered as well as the current beach huts service and associated provision.

Equalities

The assessment of equality impacts accompanying the budget proposals for 2019/20 is included within the budget report within Appendix K.

Wards Affected

All wards

Implications

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

Additional Information

Appendix A – Draft Corporate Plan 2019/20
Appendix (i) Response from the Youth Council (see below).

Officer to Contact

Officer Name	Mark Horan / Daniel Taylor
Officer Email Address	mhoran@hastings.gov.uk / dtaylor@hastings.gov.uk
Officer Telephone Number	01424 451485 / 01424 451406

Appendix (i)

Response from the Youth Council (received 22nd January)

Hastings Youth Council Report on the Corporate Plan and Budget for 2018/2019-2020/21 *J/Beeney*

The Corporate Plan and Budget for the current (and following) year/s were reviewed by the Hastings' Youth Council on Thursday 17th January. The extensive report contained a comprehensive summary of the various department's budget following further cuts and austerity measures implemented in an effort to reduce government expenditure, as well as mentions of where the current allocation of money and resources will be focused. The report contained many positive projects, schemes and efficiency savings that will encompass benefits for local young people: the investment into attractions (e.g the '1066 country' tourism focus) is appreciated, as pushing for attractions that might generate revenue is important for not only the obvious practical economic reasons, but also for community cohesion. Pride in the community is something that should be emphasised in Hastings and, with it being an area of great cultural heritage, the '1066 Country' scheme seems like a good way to capitalise on this and fill some of the deficit currently faced. Furthermore, although not a focus of our manifesto, the push for more carbon-neutrality to combat global warming/climate change is one of great support from the Youth Council's members individually, as the need for more green energy initiatives is important to any discussion about our future.

However, there are a large number of issues that could be of concern and should be addressed if possible, especially given the removal of several events and systems that would help the youth in the area (e.g Play Days in the Park). Whilst the move to target play work to more deprived areas may focus the help to the severely disadvantaged, it would also remove the chance for more privileged children to socialise with more deprived youth, which is useful for crossing social community barriers. Otherwise, there is potential for more isolation in the community and reduction in parental networking, which can reduce strain on public services and increase economic opportunities for those in more destitute situations by engaging with more potentially savvy individuals. Additionally, with the change to Universal Credit, moving thousands of people onto the new benefit system will be a challenge, as issues will inevitably arise at some stage of the system: the reduction of benefits staff and FTE redundancies will hurt help to the poorest areas quite significantly, as Hastings has 4.6% of our working-age individuals on JSA (Job-Seekers Allowance) or applying for Universal Credit compared to our nearest neighbour's average (NNA) of 3%. Similarly, our job density is 10 points lower than our NNA and there is very little in the summary presentation given that address the generation of revenue, nor does the summary give any indication of how they will meet certain aims (e.g How is the Rough Sleepers Initiative different from other attempts at dealing with the issue of homelessness? What will committees do differently? Etc). The cuts to services and funds are important for reducing the debt; however, there should be more of a focus on initiatives that generate income rather than simply reduce the costs, introduce FTE redundancies and efficiency saving schemes. The use of the transition reserves also strengthens this argument: all transition reserves will be exhausted by funding the £1.8m deficit by 2020, whereas an income generation scheme would be much more useful in creating a long-term answer to the deficit Hastings will face post-2021 (£2.5 million in the 2020/21 period alone). Finally, there are very few initiatives aimed at young people directly: the Corporate Plan should place more of a focus on youth initiatives that may be valuable to them, such as training opportunities, because this is mutually beneficial to both the council and the area's residents.

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Corporate Plan
2019/20

hastings.gov.uk

Hastings Borough Council

Our corporate plan

by Councillor Kim Forward, Deputy Leader of the Council

One council, making the difference

The corporate plan is an important document that sets out the council's vision and priorities.

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

Since 2010/11 our funding from the government has decreased by £9.3m, making our job harder. Despite this challenge we remain as determined as ever to continue delivering the best services possible and the plan set out in this document reflects that determination.

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

Our vision and mission

Our vision for Hastings...

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

Our mission – Making the Difference

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

Our values

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

Our position

Our vision for Hastings remains bold and ambitious. Our mission has not changed, nor have our values. We are as committed as ever to doing what we can to make Hastings the best place it can be, for the people who live, work and visit.

But we must also be honest about how much we can do. In an era of reduced public sector funding, we have to be realistic about how we can deliver our vision. One of our main sources of funding - the local government settlement (given to us by government to help run services in our town) - continues to be reduced, from **£12.7 million in 2010/11 to just £3.4 million this year**, whilst our operational costs rise.

This corporate plan sets out what we can do to realise as much of our vision as we can with the resources that we have. As much as possible we have prioritised the work that we think will deliver the best outcomes for residents, businesses and visitors.

Having less funding each year to deliver services which cost more to provide is challenging. We need to address a budget deficit of **£1.8 million in 2019/20 and £2.5 million in 2020/21.** To achieve this we must:

- prioritise the resources we do have on what we legally must do
- invest our resources where they will deliver the best outcomes for our residents
- continue to implement new ways of working to meet our vision and priorities
- continue to reduce our operational costs, further improving efficiency by getting more services online
- continue to realise opportunities to generate income in creative, fair and sustainable ways
- continue to take opportunities to tackle climate change

Our corporate plan guides our work to help meet these challenges and realise our opportunities.

How we compare

* From 2018/19

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

Hastings	Nearest neighbour average
18	21

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

Hastings	Nearest neighbour average
8	8

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

* From 2017/18

Hastings	Nearest neighbour average
260	103

FACT AND FIGURES

active hastings

2,413

people attended AH sessions in 2018

42%

of these people live in deprived areas of the town

Secondary school results in Hastings 2018

48%

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

compared to East Sussex of **61.8%**

14.5%

of residents lived in social housing*

28.8%

in private rented sector*

55.2%

in owner-occupied accommodation*

* From 2011 census

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

* From 2016

Hastings	Nearest neighbour average
0.65	0.76

Percentage of people of working age claiming either Job Seekers Allowance or Universal Credit

* From Oct 2018

Hastings	Nearest neighbour average
4.6%	3%

Average weekly pay of people working in Hastings

* From 2018

Hastings	Nearest neighbour average
£364	£404

Volume of tourism

* From 2015-2017

Total visits (day and overnight - millions)

Hastings	Nearest neighbour average
3.17	3.17

Expenditure (day and overnight - millions)

Hastings	Nearest neighbour average
£135.7	£114.65

How we compare

Continued

	HASTINGS	EAST SUSSEX
Life expectancy at birth:	**79.3**	**82.2** (2016 figures)
Population:	**93,424**	**552,114** (2018)
Households:	**43,262**	**247,565** (2018)
Workforce:	**45,980**	**266,549** (2016)
Households in fuel poverty:	**5,135**	**23,411** (2016)
Recorded crimes per 1,000 people:	**86.5**	**51.1** (2016)
Homeless households accepted in priority need:	**260**	**685** (2017/18)
Household waste in tonnage:	**31,346**	**244,942** (2016)
Gross value added per head in £:	**18,232**	**18,866** (2016)
Gross weekly earnings in £:	**364**	**391** (2018)
Employment rate:	**66.4**	**74.7** (2017-2018)
Unemployment rate:	**6**	**3.1** (2017-2018)

REGENERATION, EVENTS AND CULTURE

HASTINGS MUSEUM & ART GALLERY
LOCAL MUSEUM GLOBAL COLLECTION

Most popular exhibitions:

Winter - A Sense of Place

Total visitors: **9,854**
weekly average 580

Spring - Vincent Lines

Total visitors: **9,946**
weekly average 765

Summer - SoCo Collect

Total visitors: **12,617**
weekly average 1051

Number of visitors to the 3 Fish Festivals in 2018

Mid-summer Fish Festival

8,000 approx. visitors

Seafood & Wine Festival

15,000 approx. visitors

Herring Fair

8,000 approx. visitors

stade saturdays

11 events programmed

8,347 attended

114 artists involved

Value of funding from external grants in 2018

£6,720,000 external funding approved between Jan and Dec

THIS INCLUDED

£3,699,000 worth of funding from the European Union for the Connecting Hastings and Rother Together

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Council tax collected as a percentage of council tax due

95.07%
2017/18

96.25%
2016/17

FACT AND FIGURES

PEOPLE SELF-SERVING VIA MY HASTINGS

MYHASTINGS

51% April 2016 to April 2017

59% April 2017 to April 2018

11 ongoing apprentices

SOCITM Test Result (independent test for public sector websites)

2016 | 2017/18 | 2018/19

THE NUMBER OF PEOPLE USING OUR WEBSITE IS GROWING EVERY YEAR

June 2017 to May 2018

Pageviews	2,147,461
Visits	859,684

June 2016 to May 2017

Pageviews	2,468,884
Visits	820,201

DAYS LOST DUE TO SICKNESS ABSENCE

31/03/2016	31/03/2017	31/03/2018
7.7	7.6	8.1

(8.7 days average from Local Government Workforce Survey 2016/17)

Museum visitors
43,206 From 2017–2018
From 2015–2016 **42,437**
From 2016–2017 **45,497**

Recycling tonnage
9,300 From 2017–2018
From 2015–2016 **9,423**
From 2016–2017 **9,500**

East and West Hill Cliff Railway users
197,872 From 2017–2018
From 2015–2016 **191,538**
From 2016–2017 **188,688**

Planning Applications
1,028 From 2017–2018
From 2015–2016 **948**
From 2016–2017 **733**

Burials and Cremations
1645 From 2017–2018
From 2015–2016 **1602**
From 2016–2017 **1705**

Building Regulation Applications
233 From 2017–2018
From 2015–2016 **259**
From 2016–2017 **240**

Dustbins Emptied (Bin Equivalents)
3,114,956 From 2017–2018
From 2015–2016 **3,065,000**
From 2016–2017 **3,070,000**

Local Land Charges (full searches only)
1,260 From 2017–2018
From 2015–2016 **1,738**
From 2016–2017 **1,658**

Car Parking Spaces (Off-Street)

2,144 From 2017–2018

From 2015–2016	From 2016–2017
2,144	2,144

Number of people registered to vote

64,451 From 2017–2018

From 2015–2016	From 2016–2017
58,315	62,077

Parking Penalty Charge Notices

3,311 From 2017–2018

From 2015–2016	From 2016–2017
3,216	3,454

Number of Factory Units

100 From 2017–2018

From 2015–2016	From 2016–2017
99	100

Licences Issued

* not including Housing licensing

1,821 From 2017–2018

From 2015–2016	From 2016–2017
2,184	2,147

Km of Streets maintained within the Borough

270km From 2017–2018

From 2015–2016	From 2016–2017
270km	270km

Food Hygiene & Health & Safety Inspections

620 From 2017–2018

From 2015–2016	From 2016–2017
597	653

Rental Income from Factory Units

(£)1,552,448 From 2017–2018

From 2015–2016	From 2016–2017
1,483,850	1,489,079

Our priorities

Economic and physical regeneration

To secure economic and physical regeneration that produces high quality new developments while preserving the best of our heritage, high standards of education and training, road and rail improvements and high-speed broadband, thereby creating economic growth and rewarding jobs.

Cultural led regeneration

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

Intervention where it's needed

To make full use of our available powers and sanctions to tackle anti-social behaviour or practices, including poor housing, eyesore properties, unauthorised development, derelict land, fly-tipping and dog fouling.

Creating decent homes

To facilitate the supply of secure, affordable and well-designed homes, through strategic planning policies, planning conditions, regulation of the private rented sector, tackling bad landlords, and directly building or acquiring homes and supporting social housing providers.

An attractive town

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

A greener town

To promote practices that minimise our carbon footprint through our policies and our own operations, protect and enhance biodiversity, and limit damaging consequences of human intervention on the natural environment.

Improving the way we work

To maximise the benefits provided by new technology, to take opportunities for smarter 'One Team' working and continue our drive to be more Customer First focused and efficient in the design and delivery of services.

Our approach

To meet the challenges we face we will:

- Make sure our criteria for decisions prioritise what we must do first above all else, clearly setting out reasons for action and exactly what to expect
- Use effective programme and project management to prioritise how we use our limited staff and financial resources and to manage risks
- Wherever possible ensure that what we do is inclusive and that our services are accessible to all
- Look to better aligning common areas of work across the organisation
- Invest in Information Technology where it shows clear benefits to both the delivery of services to the customer, and efficiencies to the organisation
- Ensure we are aware of the environmental impact of what we do and seek to minimise this impact wherever possible
- Continually improve our services

Our key programmes of work

Waste services

Providing better street cleaning services from July 2019, by creating a new council-run Direct Services Organisation.

Modernisation and digital efficiencies

Using customer feedback and data to help us make our services the best they can be, make more of them available online and ensure they are accessible to all.

Homelessness and disadvantage

Continue our work to minimise homelessness in the town and develop a new homelessness strategy.

Generating income

Pursuing opportunities to generate income to make up for our grant funding shortfall.

Developing the town

Expand our programme of development projects to help regenerate the town and provide much needed housing.

Organisational blueprint

Setting out our roadmap for how we need to evolve our organisation to meet the challenges we face and the needs of our customers.

Tackling Climate Change

Work with partners and the community to address the threats of climate change.

What we must do

By law, there are many things we must do. These contribute to keeping the town running and shape the services we provide:

Housing

Develop a new strategy and framework with our partners to meet our legal duties. The strategy will focus on:

- increasing the supply of accommodation
- quality of accommodation
- homelessness reduction

Increase our supply of temporary accommodation to meet the demands of those households for whom the council has a legal duty to assist.

Meet our duty to refer and work with households at risk of homelessness.

Manage the provision of disabled facilities grants.

Planning

Continue to meet the Government's targets for processing and assessing planning applications, and appeals, ensuring that development meets the town's needs

Continue to ensure planning legislation and policy is enforced to ensure all planning in the town is compliant and to protect the environment of the town and the living conditions of residents. Continue to protect the heritage assets of the town.

Develop and maintain a local plan and provide planning guidance. Maintain the Local Land and Property Gazetteer and provide Local Land Charges, street naming and numbering services.

IT

Maintain the council's systems and hardware so that services can be delivered and ensure they comply with government standards.

Licensing

We are required by law to:

- issue and monitor licences for street trading, exotic animals, zoos, pet shops, tattoo businesses, taxi and private hire vehicles and their drivers and temporary event notices
- manage and enforce the mandatory licensing of rented accommodation
- provide licensing advice to those applying for licences
- provide licensing enforcement for large public events
- conduct licensing compliance visits
- annually review our licensing fees and charges
- administer all statutory licensing applications
- produce a gambling policy and regularly review it

Public health and safety

We are required by law to:

- monitor air quality
- monitor and enforce food safety
- deal with stray dogs
- provide environmental protection services
- provide health and safety advice and guidance, monitoring and enforcement

Play a leading role in dealing with and reducing anti-social behaviour in Hastings.

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Waste, recycling and street cleaning

Provide street cleansing, refuse collection and recycling services.

Investigate and enforce against environmental crime such as flytipping.

Provide advice, guidance and support to the organisers of large public events, and ensure they operate safely and in accordance with the law.

Revenues and benefits

Manage the transition to Universal Credit.

Administer the collection of council tax and implement the council tax reduction scheme.

Manage the payment of housing benefit.

Implement new soft ware to enable self service online for benefits and council tax.

What we must do

Continued

Cemetery and crematorium

Meet our legal duties for burials and cremations.

Administer cemetery memorials and welfare funerals.

Manage and maintain the grounds and site of the cemetery and crematorium.

Parks, gardens and allotments

Maintain the structures in the town's parks and gardens.

Conduct health and safety inspections of the parks, gardens and open spaces in the town.

Manage the town's reservoirs and undertake any necessary maintenance work.

Maintain the council's allotments.

Parking

Enforce the council's parking regulations and manage the council's off street parking.

Legal, democracy and elections

Contribute to new programmes, projects and changes to service delivery to ensure legal requirements are addressed from the start. Making sure all of our services meet their legal requirements.

Ensure elections and the council's schedule of meetings are well managed and delivered on time, to cost and quality.

Audit

Ensure our governance, transparency, procurement and risk management arrangements are effective and our services offer value for money.

Performance

Monitor the performance of our services and enable the Scrutiny Committee and local people to hold the council to account.

Finance

Produce annually a statement of accounts, set the council's budget and monitor spending.

HR and payroll

Ensure staff are paid in line with their terms and conditions.

Ensure staff are employed in line with their terms and conditions, and employers responsibilities are met.

Contracts

Make sure the council meets all of its existing contractual commitments. Including:

- Connecting Hastings and Rother Together (CHART) and other EU funded programmes
- Grounds maintenance
- Minor works and buildings maintenance
- Partnership commitments and other external funding agreements

What we choose to do

In order to realise our vision there are a large number of things we choose to do in addition to our legal responsibilities, the business as usual and projects for these activities are summarised below:

Income generation

Hastings Housing Company to deliver a return on investment whilst meeting its key housing regeneration aims.

Generate energy to reduce our carbon footprint and produce income for the council.

Identify and realise commercial investment opportunities.

Selling products we have already developed to other councils.

Major projects

Bring forward proposals for our development aspirations (tbc).

Culture and regeneration

Continue to take opportunities to bring funding and resources to the town.

Continue to deliver ongoing regeneration projects across the town including FLAG, CHART, Bohemia and others.

Source external funding to meet the council's vision.

Work with local community and arts groups to continue to support and help develop the town's cultural offer.

Continue to engage partners on programmes which impact Hastings such as the Hastings Opportunity Area. Continue local and regional partnership work to aid inward investment and external funding leverage to Hastings and surrounding region.

Housing

Continue to return empty homes and derelict buildings through work such as the Coastal Space Project in partnership with Optivo.

Planning

Provide pre-planning application and conservation advice and improve eyesore properties by our 'Grotbuster' scheme.

Museums and Leisure

Implement new ways of working at the museum and art gallery.

Review our leisure facilities in the town.

Deliver and support great events throughout the year.

Bring more visitors to the museum.

Do more work with local schools to get them into the museum and interacting and engaging with its collections.

Waste, recycling and street cleaning

Continue to provide a cost effective garden waste and bulky waste collection services that can be booked online.

Licensing

Provide advice and guidance to potential licence applicants. Conduct out of hours licensing enforcement and compliance operations.

Bereavement

Provide burial and cremation services including memorial sales.

Legal

Assist with selling our services where possible.

ICT

Continue to move council services online to reduce costs. Continue to provide technical support for our staff and systems.

What we choose to do

Continued

HR and business support

Provide training and development opportunities for staff.

Implement a new mailing system to reduce costs.

Managing the council's facilities.

Bringing in income from hiring out our facilities for wider community benefit.

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Customer services

Continue our drive for customer first by implementing the customer first action plan for 2019/20.

Provide community contact service with face to face, over the phone and online via My Hastings.

Working with partner organisations to provide support and advice. Using customer data to improve customer service and service delivery.

Promote My Hastings to drive use of online services to reduce costs.

Estates and surveyors

Looking after and maintaining our property assets.

Ensuring our commercial properties are occupied and our tenants are supported to ensure they can continue to run effective businesses providing jobs and wealth for the town.

Contribute to new programmes and projects to ensure property and surveying considerations are addressed from the start.

Audit and performance

Continue a programme of best value service reviews and identify and implement efficiencies.

Public health and safety

Operate a pest control service which can be booked and paid for online as a service improvement and to reduce administrative costs.

There are many other things we must and choose to do which aren't listed here.

What to look out for

- New in house street cleaning service launched
- Better online service provision and more services online
- Improved online payments service
- Solar panel work - installation on roofs, and programme commenced for ground mounted arrays
- New domestic waste and recycling contract
- A new Homelessness Strategy and implementation of our Rough Sleepers Initiative
- Improved processing of benefits claims and changes of circumstances
- Phase 1 of Connecting Hastings and Rother Together programme delivered
- Exciting plan of developments for the Bohemia area
- Development of new start up business units
- Reviewing what we do to arrive at a realistic blueprint for the future of the council
- New country park visitors centre
- Next round of Community Partnership Fund grants allocated
- A review of our polling places in the summer

How will we measure our performance

The Overview and Scrutiny Committee will monitor how well we deliver our services. They will use the key performance indicators set out below to measure progress against our targets throughout the year. These will be agreed by Cabinet in July 2019.

- Improve street and environmental cleanliness
- Percentage of household waste sent for reuse, recycling and composting
- Percentage of food establishments which are compliant with food hygiene law
- Reduce the average number of failed bin collections (per 100,000 collections)
- Average length of stay in temporary accommodation
- Number of homelessness cases prevented (bigger is better)
- Number of private sector homes licensed
- Number of new homes and affordable homes created
- Average number of days to process new housing benefit claims (smaller is better)
- Average number of days to process changes to housing benefit claims (smaller is better)
- Average number of days to process new Council Tax Reduction claims
- Average number of days to process changes to Council Tax Reduction claims
- Green Flag status retained for key parks and open spaces
- Increased number of visitors to Hastings Museum and Art Gallery
- Major planning applications determined within 13 weeks or as agreed with applicants
- Non-major planning applications determined within 8 weeks or as agreed with the applicant
- Householder planning applications determined within 8 weeks or as agreed with the applicant
- Major planning applications determined within 13 weeks or as agreed with the applicant over a 2 year rolling period
- Non-major planning applications determined within 8 weeks or as agreed with the applicant over a 2 year rolling period
- Number of neglected buildings improved (bigger is better)
- % of customers self-serving online
- The proportion of working days / shifts lost due to sickness absence
- % Council Tax collected in year (bigger is better)
- % Non domestic rates collected in year (bigger is better)

We will develop milestones and targets for key programmes ready for monitoring from the new financial year.

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Hastings
Borough Council

Report to: **Cabinet**

Date of Meeting: 11 February 2019

Report Title: Revenue Budgets 2018/19 (Revised) and 2019/20, plus Capital Programme 2019/20 to 2021/22

Report By: Peter Grace

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

Purpose of Report

1. This report presents the revised revenue budget for 2018/19 and a budget for 2019/20. The revised budget for 2018/19 takes account of the known variations to expenditure and income streams that have occurred since setting the budget in February 2018.

2. This report will be updated for Cabinet and full Council, potentially verbally, following the receipt of the final government grant settlement - generally received in early February.

3. In setting the budget for 2019/20, recognition has to be taken of the ongoing reductions in external funding for the years ahead. The report identifies that a balanced budget can be achieved in 2019/20 although this involves using £1.75m of reserves. The forecast deficit for 2020/21 is some £2.44m, in 2021/22 it is estimated at £1.79m, and in 2022/23 it is estimated at £1.9m. The alignment of the Council's available resources to its priorities requires the achievement of additional income streams and the continuing review and reduction of services during the next 12 months in order to achieve balanced and sustainable budgets in the years beyond. The levels of reductions required and the near absence of Transition Reserves in future years provide an enormous challenge.

4. The Cabinet meeting on the 11 February is a key part of the budget setting process. This full Council meeting on the 27 February 2019 is responsible for setting a balanced budget and determining the Council Tax. If the recommendations in the report are approved by Council there will be an increase in the Borough’s part of the Council Tax in 2019/20 of some 2.99%.

5. Please note that the final grant settlement figures from government have now been received and match the figures in the consultation document. The figures for Disabled Facility Grants are not expected until well into 2019/20. Once final figures are received adjustments will be made to the figures detailed in this report. Precept figures will also be updated following receipt of the final figures

from the Police and Crime Commissioner and the Fire Authority (ESCC figures now updated).

Recommendations

Cabinet recommends that full Council:-

(i) Approve the revised revenue budget for 2018/19 (Appendix A).

(ii) Approve the draft 2019/20 revenue budget (Appendix A)

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

(iv) Agree that the absolute minimum level of reserves that shall be retained be £6m (plus General Fund Balance).

(v) Approve the Capital Programme 2018/19 (revised) to 2021/22 (Appendix P).

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

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

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

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

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

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

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

(xiii) Approve an increase in the Council Tax premium chargeable for long term empty properties to 100% extra from 2019/20 (from 50% extra), 200% extra from 2020/21 (empty for 5-10 years), 300% extra from 2021/22 (empty greater than

10 years), i.e. the maximum permissible amounts in accordance with the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018.

(xiv) Approve that the determination of eligibility and award in respect of the Business Rate Retail Relief Scheme is delegated to the Chief Finance Officer for the next two financial years and any extension period thereafter.

(xv) Approve the revised parking charges as detailed in Appendix Q.

(xvi) Approve that the Director of Operational Services, or his nominee, in consultation with the lead member for Environment and Place, will consider, negotiate, undertake an Equality Impact Assessment and agree amendments to the recycling arrangements within the new joint waste contract.

Reasons for Recommendations

1. Major reductions in funding are set to continue in 2019/20 and this impacts heavily upon the Council's ability to provide services and grants across all areas of existing activity. A major overhaul of the funding mechanism along with the Government's 2019 spending review provides considerable uncertainty on funding for 2020/21 and beyond.

2. Since 2010/11 funding has been reduced by more than 70% in cash terms on a like for like basis. To ensure key corporate priorities and statutory responsibilities are achieved it remains imperative that the limited resources available are properly targeted.

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

4. The Council is exposed to a much greater degree of volatility in the level of funding it receives through Non Domestic Rates. In addition it is also exposed to a much higher degree of volatility in terms of Council Tax Support claims – the cost falling directly on the Council and the preceptors. The potential downside risks of Brexit and the increased reliance on income streams provide further potential volatility to the Council's future funding.

5. Further reductions in grant funding have major implications for the Council and as such work needs to continue to identify and make savings in order to produce balanced budgets in 2019/20 and beyond.

Introduction

1. The government’s deficit reduction programme continues to result in significant and ongoing reductions in funding for the Council. The period over which these reductions will last continues to have far reaching effects for the levels and range of service that the Council can continue to provide.

2. The Council continues to find itself in a very challenging financial period that is anticipated to extend beyond 2022/23. The last year of the government’s four year settlement offer is 2019/20. This provided a degree of certainty for at least a part of the Council’s funding stream (until 2019/20) – albeit there are still very significant year on year reductions. 2020/21 sees wholesale changes in the way in which local authorities are funded. There appears to be no easing of austerity for councils like ours.

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

4. The Council when setting the budget in February 2018 forecast that there would be a deficit in 2018/19 of some £1,039,000, and £1,036,000 in 2019/20. A balanced budget for the two years being achieved by using limited amounts of the Council's reserves. The position has however not been improved for 2019/20 following the retendering of the Waste and Street Cleaning contract, and the loss of all recycling credits. The additional costs of which are expected to add an estimated £1.4m p.a. to the Council’s costs. The income generation forecasts have also had to be substantially amended.

5. The deficit now forecast for 2018/19 is some £747,000 although the figure is subject to major uncertainties around Business Rate appeals and legal claims.

6. For 2019/20 following extensive service transformation work, service reviews and reductions, initiatives to generate additional income, as well as some budget growth, the deficit is estimated at some £1,747,000. The level of risk within the budget and uncertainty within the forecasts has increased – particularly the uncertainties surrounding Brexit, business rate income, inflation prospects, demands on services, and claims being made against the Council e.g. NHS business rate claims.

7. There have been a number of changes to the budget, since the consultation document was issued. These relate to the timing of planning studies, increased expenditure in 2019/20 and reduced expenditure in 2020/21 (£65,000), a correction in the marketing savings identified in 2019/20 (further £35,000), revised projections (reducing) on the levels of recoveries for temporary accommodation and benefits paid (£50,000) in 2018/19 and 2019/20. Compensation since received in 2018/19 for the loss of Council land from the Bexhill Link Road construction. Reduced provision in the 2018/19 accounts for settlement of legal claims (£60,000). Increased income in 2019/20 from business rates and Section 31 Grants (£160,000). The overall impact is to reduce the deficit from some £964,000 in 2018/19 to some £747,000 (a

£217,000 reduction), and again to reduce the deficit for 2019 /20 from £1.802m to £1.747m (a £55,000 reduction).

8. The Council accepted the government's 4 year settlement offer two years ago. This results in a reduction in the Settlement Funding Assessment for Hastings BC in 2019/20 of some 9.1% or £473,000. The Revenue Support Grant (RSG) would have decreased by £554,000 or 35.9% to £988,000, but following a successful application as a business rate pilot for 75% rate retention the Council will see all RSG go, to be replaced by the ability to retain a greater share of business rates.

9. With the level of government grant continuing to decrease at such significant levels the Council will need to make both further substantial savings and generate income, in order to produce sustainable balanced budgets in the years ahead.

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

11. It should be noted that the budget does include the anticipated increases in expenditure (both Capital and Revenue) and increases in income that will arise during the year as income generation schemes are realised. The projections for the income achievable from energy initiatives in particular were overly optimistic when determined in September 2017in respect of timing in particular and have again been re-profiled.

Strategic Priorities

12. The Council's strategic priorities and corporate plan for 2019/20 has been reviewed in the light of the continuing challenges that the Council and the community face. They remain challenging objectives against the background of severe financial funding reductions.

13. They are:-

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

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

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

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

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

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

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

Financial Planning - Medium Term Financial Strategy

14. The Medium Term Financial Strategy, approved in September 2018, provided indicative budget forecasts for the 5 year period 2018/19 to 2022/23. These have been updated within the budget papers attached.

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

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

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

(ii) Maintain a sustainable revenue budget.

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

Whilst the principle remains sound the Council consciously strengthened its reserves over a number of years, knowing that these will be required to ease the transition to a sustainably funded Council and to meet key corporate priorities. The Council now requires the full use of these reserves to achieve balanced budgets in the current and next financial year.

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

(iv) Continue to identify and make efficiency savings.

Each year there is a thorough examination of the Council's existing budgets to identify efficiency savings and to ensure existing spend is still a Council priority (Priority Income and Efficiency Reviews – PIER).

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

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

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

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

(vii) Ensure sufficient reserves are maintained.

Some reserves, having been built up in the last few years, are specifically identified to ease the transition to a lower spending Council and to meet key corporate priorities.

(viii) Ensure value for money is achieved in the delivery of all services and that the Council seeks continuous improvement of all services.

It should be noted that the annual governance report produced by the Council's external auditors in July 2018 gave a positive opinion on the Council's provision of value for money services.

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

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

17. The levels of risk that the Council is facing from fluctuations in income streams has increased significantly. This is recognised by the government and Chartered Institute of Public Finance Accountants (CIPFA) resulting in new codes of practice and government regulations have been introduced to help ensure that councils do not over extend themselves in this challenging environment. Key new prudential indicators are included in the Treasury Management Strategy, which include, for example, limitations on the use of reserves to temporarily fund capital expenditure, limitations on the gearing of the local authority i.e. total debt compared to total assets and limitations on the level of reserves that are not held in cash or cash equivalents.

The Key Factors Impacting on the Budget

Funding from Business Rates (2018-19)

18. The government launched the Business Rates Retention (BRR) scheme on 1 April 2013 as one of the main forms of local government funding. Instead of a single grant settlement for 2019/20 the Council receives details of Revenue Support Grant (RSG) and the Business Rate Baseline Funding level (expressed as Baseline Need). The two figures effectively make up the Settlement Funding Assessment (SFA). Whilst the government calculate a notional business rate figure they believe each Council should collect, ultimately it is the actual level of business rates collected that will determine the total funding received for this element of the settlement i.e. the level of RSG is guaranteed throughout the year whilst the business rate element is not.

19. The business rate, itself, is set by the government with regard to the change in the Retail Prices Index. The proportion retained in Hastings to date (2018-19) has been 40% (9% is payable to ESCC, 1% to the Fire and Rescue Authority and 50% to the Government).

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

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

22. The existing 50% central government share is distributed through the annual local government settlement process – thus enabling the government to control the overall amount received by local authorities. Where there is disproportionate growth this will be used to provide a safety net for those authorities experiencing little or negative growth and allow the treasury to top slice business rates

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

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

Business Rates - Pilot Project (2019/20)

24. For 2019/20 the Council, along with the other members of the pool (East Sussex County Council, all East Sussex Boroughs and Districts, and the Fire Authority) applied for Pilot status, **whereby the Councils retain 75% of business rates, but lose all of the Revenue Support Grant.** The Council's baseline funding levels being amended to reflect the loss of grant. This effectively brings forward the funding methodology that will apply from 2020/21onwards.

25. The application for pilot status was successful – the announcement being made in conjunction with the local government settlement.

26. The benefit to East Sussex as a whole is that more of the business rate growth is retained in the county – rather than being paid to the government in the form of the levy. The potential risk is that should the councils see a decline in the business rate income any losses are shared by the authorities in the pool. There is a safety net and it is a higher level of support than an individual authority would receive it was not in a pool.

Business rates Income – 2019/20

27. The government after determining the business rates baseline levels included small business rate relief within its own budget proposals. This effectively reduced Councils' income. The government is reimbursing authorities for this lost income which is now estimated to amount to some £1,043,810 for Hastings in 2018/19 and some £1,568,916 in 2019/20.

28. The rateable value (RV) of business properties at the start of the 2019/20 year is forecast to be some £62.7m (some £217,000 lower than 2018/19). However given the level of appeals, forecasting income levels for 2019/20 and beyond remains challenging. Business rates and the levels of appeals/ growth/ decline has been highlighted as a real risk yet again and will continue to impact significantly on the Council's level of funding. It is one of the key risks that the Council faces in terms of income volatility.

29. Multiplying the rateable value figure by the rate poundage and after charity and other reliefs the Council will collect some £21.1m of which the Council share is some 44% (£9.27m in 2019/20). For Hastings however with a Baseline Need that is lower than the Business Rate Baseline a Tariff is paid to central government – this amounts to £5,521,844 in 2019/20. The estimate of the

business rate income collected that will be retained by the Council in 2019/20 as a result of entering into the Business rate pilot amounts to £3,563,000 (compared to £2,884,000 in the 2018/19 revised budget).

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

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

31. The 2019/20 provisional finance settlement was finally announced on 11 December 2018 with the final settlement figures being received on 29 January 2019. The settlement provides details of the Revenue Support Grant and the levels of Business Rates that the government expects councils to retain – the two figures combined make up the Settlement Funding Assessment. In Hastings case there is no longer any Revenue Support Grant; this is replaced with the ability to retain more business rate income.

Year	Settlement Funding Assessment (£ 000's)	Decrease (£ 000's)	Percentage Change (Annual)	Percentage Change (Cumulative)
2015/16	£7,194			
2016/17	£6,331	-£863	-12.0%	-12.0%
2017/18	£5,605	-£726	-11.5%	-22.1%
2018/19	£5,216	-£389	-6.9%	-27.5%
2019/20	£4,746	-£470	-9.0%	-34.0%

32. In terms of the cash grant that the Council receives from the government (Revenue Support Grant) the Council signed up to the 4 year settlement offered. The figures of the grants receivable over the period are detailed below. The Council will now no longer receive the £988,000 in Revenue Support Grant in 2019/20 (funding replaced by retaining more business rates). The authority would have lost some £2.7m (73.5%) over this short period alone.

Year	Revenue Support Grant (£ 000's)	Decrease (£ 000's)	Percentage Change (Annual)	Decrease (Cumulative) (£ 000's)	Percentage Change (Cumulative)
2015/16	£3,727				
2016/17	£2,835	-£891	-23.9%	-£891	-23.9%
2017/18	£2,038	-£797	-28.1%	-£1,689	-45.3%
2018/19	£1,542	-£496	-24.3%	-£2,185	-58.6%
2019/20	£988	-£554	-35.9%	-£2,739	-73.5%

33. Discretionary Housing Payments (DHP's) play a vital role in supporting a lot of people affected by the welfare changes. The grant figure for 2018/19 amounted to £381,729. The figure for 2019/20 is still awaited. This funding will be fully subscribed.

Summarised Grant Position

34. The level of grants received from the government between 2010/11 (the year before the previous Comprehensive Spending Review) and 2019/20 have decreased by some 73% on a like for like basis (i.e. excluding Council Tax Freeze Grant, Homelessness Grant and Council Tax Support Grant in order to provide a clear comparison). These figures are all based on cash and exclude the effects of inflation (the inclusion of which would increase the % reductions even more).

35. **In 2019/20 the Council will no longer receive Revenue Support Grant (RSG) but retain more business rate income. The baseline increasing by the amount of RSG that the Council would otherwise have received. Overall the reduction would have been similar to the £554,000 RSG reduction. New Homes Bonus is some £93,000 less than in 2018/19 as detailed in the report and is set to fall further. These two funding losses alone amounting to some £647,000. This loss of grant when combined with the additional costs from inflation, waste and street cleaning, pay increases and demand pressures present the Council with significant financial and resource challenges**.

Spending Review, Fair Funding Review & Business Rates Retention

36. The government's 2019 Spending Review is expected to determine the future funding for local government levels for a four year period (but could be less). The Fair Funding Review will determine the split of available funding between authorities for 2020/21 onwards.

37. Also in 2020/21 the government are changing the funding methodology for local authorities. This will see the end of direct government grant (Revenue Support Grant) and a move to increased funding from business rates retention (75% retention – up from the current 50% level). This being to help meet the commitment given to local authorities for more control over the money they raise locally.

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

39. It is clear from the government's forward spending plans that the overall level of spending on local government will not be increasing. Given the funding pressures on Adult Social Care budgets in particular, district and borough councils cannot plan for a more equitable, or greater, distribution of funding.

Income Generation

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

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

Acquisitions/lettings	**Est Income-2018/19**	**MRP and Interest**	**Net Additional Income**
	£	£	£
Muriel Matters	321,000		
MM Shops	41,000		
Sub Total	362,000	220,800	141,200
Muriel Matters - Council Chamber etc	23,000		23,000
Town Hall	97,000		97,000
BD Food Factory	40,000	91,488	(£51,488)
Sedlescombe Road North	465,067	294,613	170,454
Sea Front Kiosks	7,900		7,900
Bexhill rd retail park (TKMAx)	547,080	356,660	190,420
Sedlescombe Rd North (2)	89,000	50,000	39,000
Property Fund	85,000		85,000
Totals	1,716,047	1,013,561	702,486

42. The table above excludes the recent purchase of a site in Bexhill Rd which is currently being redeveloped, and also a site within the town centre which will meet regeneration and economic development priorities as well as providing the Council with enhanced income streams. These are included in future year projections (Appendix G).

43. Given the Council's need to generate significant levels of new income if services are to be protected, an income generation strategy was agreed in September 2017; this is subject to further review in early 2019/20. Revisions to projections will be included in future budget projections. The Council's income generation plans involve both capital and revenue expenditure.

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

45. The Council agreed at its Cabinet meeting on 11 September 2017 to spend £50m on Commercial Property, Housing and Energy initiatives over a 3 year period. These initiatives are intended to support key priorities within the Corporate Plan e.g. economic, regeneration, housing and sustainability, enhance business rate income as well as also providing additional income streams wherever possible.

The table below highlights the split of Capital spend as detailed in the Strategy

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

46. The table below shows the additional net income projections for the main initiatives – as at 11 September 2017. In addition £2m was invested with a Property Fund (CCLA) in April 2017.

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

47. The income projections were refined for the 2018/19 budget particularly around energy with £80,000 of net income being allowed for compared to the £280,000 in the Income generation strategy projection. This has been revised down to some £7,480 gross income in 2018/19 (£2,000 net).

48. The 2019/20 budget sees a further revision to the net income streams. These estimates will be revised further once the energy initiatives in particular are agreed. The Capital programme includes sums that are earmarked for Ground Mounted Solar installations for example which may proceed subject to a satisfactory business case receiving approval during 2019/20.

Revised Income Projections (Net)	2018-19 Original Budget £'000s	2018-19 Revised Budget £'000s	2019-20 Projection £'000s	2020-21 Projection £'000s	2021-22 Projection £'000s	2022-23 Projection £'000s
Commercial Property	(373)	(400)	(460)	(614)	(625)	(625)
Housing Company	(60)	(30)	(150)	(250)	(250)	(250)
Energy	(80)	(2)	(10)	(10)	(50)	(50)
Totals	(513)	(432)	(620)	(874)	(925)	(925)

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

Fees and Charges

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

51. With a number of exceptions, fees and charges have generally been increased in line with market fees, and as a minimum by the retail price index - except where set by statute. The majority of planning fees are determined nationally by government.

52. Car parking charges were last increased in February 2017 for a 12 month period (increases were applicable from 1 April 2017), and were frozen for 2018/19. The Council has experienced increases in business rates on some of its car parks following the 2017 national revaluation. Some of the car parks are regularly full and it remains important that those car parks situated near to the commercial hub are priced effectively to ensure that spaces are available for shoppers whilst not costing too much so as deter shoppers. The Council has conducted a condition survey of the Priory Street car park, and as a result has included repair and refurbishments within its Capital programme for 2019/20. The works will extend the useful life by at least 5 years, and provide sufficient time to determine whether the car park is substantially refurbished for an estimated cost of £2.5m or could be included within a much larger redevelopment scheme – as once intended.

53. The level of proposed increases varies between car parks and these are detailed in Appendix Q

Investment and Borrowing

54. Base rates increased to 0.75% in August 2018 from their previous level of 0.5%. Given the restricted counterparties list and short investment periods, investment returns of around 0.75% (excluding property funds) are predicted in 2019/20, with a further base rate increase predicted by treasury advisers in June 2019 to 1 % (but may be autumn). Such a prediction is subject to great uncertainty at the time of writing given Brexit and the potential impact on inflation, unemployment, and exchange rates. The Treasury Management Strategy will continue to advocate a policy of keeping the respective levels of debt and investment under review.

55. The Council has had additional borrowing requirements in 2018/19 to finance the acquisition of housing and commercial properties and other capital schemes. This increases the borrowing costs as well as the amount required to be set aside each year to repay this debt (the Minimum Revenue Provision).

Inflation

56. This had not been a major issue over the last couple of years. Inflation however increased in early autumn but has fallen more recently. In December 2018 it was 2.7% (Retail Price Index) whilst the government’s preferred measure CPI (Consumer Price Index) was 2.1%.

57. Inflation, according to the Bank of England inflation report (November 2018) is expected to be at or around the 2% target in the next two years (mid 2020) – subject to a satisfactory Brexit arrangement.

58. Based upon the above projections, general inflation is being allowed for at 2% overall for 2019/20 and beyond. However, only contract inflation is being allowed for in the budget i.e. a real cash freeze again for all other service expenditure areas. Any increases above this level would need to be contained within service budgets within the year. The final costs for the waste contract (commencing in late June 2019) are still dependent upon the negotiations between Kier and its workforce.

Public Sector Pay Settlement and National Living Wage

59. The figures in the Medium Term Financial Strategy assumed a 2% increase for 2019/20 and 2% beyond. In addition there are contractual increments (equivalent of around ½%).

60. The salaries budget together with national insurance and pension costs amounts to some £14m in 2019/20. The estimated costs have increased significantly as a result of taking on the Street Cleaning DSO in 2019/20.

61. The Council remains committed to paying the accredited living wage of £9 per hour (for over 18's), which is significantly higher than the national minimum wage for over 25s of £7.83. The last pay settlement caused pay scales to be amended reflecting the effects of the higher increases at lower pay scales.

Universal Credit and Benefit Administration Grant

62. Universal Credit was originally expected to commence in October 2013 in respect of new claims with the transfer of existing claims being completed by 2018/19. The first new claims actually took place in April 2015 but had relatively little impact on the service until the 14 December 2016 when all new claims for those of working age and some change of circumstances transferred to Universal Credit.

63. The impact of the change is a reduction in new benefit claims, an increase in questions and support, and a significant reduction in the Housing Benefit Administration grant receivable in the years ahead.

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

65. The Department for Work and Pensions (DWP) are providing additional funding to the Council. Some of this has been funding external support organisations for those providing debt advice, etc, which is paid on a per head basis; in 2019/20 the government are making arrangements with the Citizens Advice Bureau (CAB) to pay this direct. Some funding is payable to the Council to meet the additional burdens on dealing with DWP enquiries, complex cases and closing

down existing claims. How much and for how long this funding remains is uncertain.

66. The Benefit Administration Grant for 2019/20 has been reduced to £389,046 (from £420,606) – a loss of £31,560 (7.5% reduction) (see Appendix 1). A revision to the methodology has been advised which will see the Council lose further grant (transitioned over 3 years).

67. The level of Council Tax Support Administration Grant receivable in 2019/20 has now been notified at £160,753 (£166,913 received in 2018/19). This represents a reduction of £6,160 (a 3.7% reduction).

68. It should also be noted that the Discretionary Housing Payments (DHP's) funding received from the government to assist those in severe financial hardship, is not only covering those with Housing Benefit claims, but also covers those in receipt of Universal credit. As such the number of referrals from Universal Credit recipients is increasing – and adding an extra layer of administrative complication.

Council Tax Reduction Scheme

69. In 2013/14 the government paid an upfront grant in respect of Council Tax Support/Benefit, leaving the Council to fund any "in year" increase in demand. In 2014/15 the Council Tax Support Grant was rolled into the Settlement Funding Assessment and thus effectively decreases in line with the annual reductions in government grant funding. The Council determined that the Council Tax Support Scheme would remain the same for 2015/16, 2016/17, 2017/18 and 2018/19.

70. The other East Sussex Councils amended their schemes for 2016/17 given the ever increasing unaffordability of the scheme. The major change made by them being that all households of working age made a minimum 20% payment. At the time of writing options are again being explored by this Council for 2019/20 with a recommendation from cabinet to full Council for determination on 13 February. If no amendments are made to the scheme the projections are that the cost of the scheme would increase from some £10.6m to some £11.1m, and the deficit identified in this budget report would increase.

71. For the purposes of drafting the budget it has been assumed that relatively small amendments to the scheme would take place in order that the overall costs of the scheme do not increase further.

72. The Council Tax Reduction Scheme continues to pose a significant financial risk for the Council. That risk being that should claimant numbers increase the additional costs now fall on the Council and its preceptors rather than the government. The Council will need to continue to retain adequate reserves for this purpose.

73. Given that overall levels of government funding continue to decline year on year, the Council will again need to review the affordability of the scheme during 2019/20, and will look to do so in conjunction with neighbouring authorities.

Council Tax - Empty Homes Premium

74. From April 2013, billing authorities in England took on an additional power over certain Council Tax discounts. In England, billing authorities can currently charge up to 150% on properties which have been unoccupied and substantially unfurnished for over two years. This is the Council's current practice.

75. The government is keen to encourage owners of empty homes to bring their properties back into use. To help achieve this the government has introduced new legislation, namely the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018.

76. This Act, with effect from the 2019-20 financial year, includes additional provisions covering properties that have been empty for very long periods. These were introduced via a Government amendment at Third Reading in the Lords, following extensive discussions with other parties. The Act provides for maximum additional rates of:

    - 100% extra (for properties empty for 2-5 years)
    - 200% extra (for properties empty for 5-10 years) [commencing in 2020]
    - 300% extra (for properties empty for 10+ years) [commencing in 2021]

    In other words, council tax-payers may be required to pay 200% of the standard bill after two years; 300% of the standard bill after five; and 400% after ten. It remains up to the billing authority to decide what rate of empty homes premium to impose, within these limits. It is recommended that the Council sets the charges to the maximum permissible from 2019/20 onwards.

77. The County Council, Police and Fire Authority who are all experiencing funding pressures would also benefit. From 2020/21, an additional 200% of the current levels being charged (300% in total) for properties empty longer than 5 years could potentially be worth up to £95,000 p.a. of which Hastings BC would retain just under 14% (£13,300).

78. If the policy succeeds the level of income will naturally be less- although this would offset pressures elsewhere.

Business Rates – Retail Relief scheme 2019/21

79. The government announced in the 2018 budget a new business rates retail discount scheme. The scheme applies to occupied retail properties with a rateable value below £51,000 in each of the years 2019/20 and 2020/21. Premises to be wholly or mainly used as shops, restaurants, cafes and drinking establishments. Guidance has been issued. Premises that will not be eligible include, banks, building societies, betting or pawn brokers, estate agents, Medical services, professional services e.g. solicitors, accountants etc.

80. The value of the discount is 1/3 of the bill and is applied after mandatory and discretionary reliefs are applied. The Ministry of Housing, communities and local Government has confirmed it is not changing existing relief legislation and will

fully reimburse the Council for expenditure incurred. The scheme is introduced by the existing Localism Act (Under S47 of the LGA 1988, as amended).

81. Where possible awards will be automatically credited. In these cases no application is required. Where eligibility cannot automatically be determined then applications will need to be made to the Council.

82. The relief is for a short period only – ending after 2020/21. Any decisions made by the council and the amount of any relief are conditional and will be amended within the year to reflect changing circumstances , for example RV changes or change or use.

83. Ratepayers that occupy more than one property will be entitled to relief for each of their eligible properties – subject to the State Aid De Minimis limits.

84. As a result of this new initiative by government, the level of rates that the Council will actually collect will decrease by some £660,000, of which the Council's share is some £290,000. This sum is reimbursed by Section 31 grant monies from the government.

85. It is recommended that the determination of eligibility and award in respect of this scheme is delegated to the Chief Finance Officer for the next two years and any extension period thereafter.

Pension Fund Contributions

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

87. The rates currently payable by the Council consist of the primary contribution rate plus 0.75% for future ill health retirements (these are percentages of salaries of staff in the pension scheme) plus a lump sum (secondary rate), namely:

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

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

Staffing, Information Technology and Property

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

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

91. A transformation team continues to programme manage the customer first programme, process and service reviews along with IT solutions to make long term efficiencies and improvements to the customer experience. One area of growth in the budget is the need to move to Windows 10 from Windows 7, the cost of doing so is estimated at some £86,000 p.a. and is viewed as an inescapable cost.

92. The transformation programme is seen as key to making further long term savings and to preserve as many services to the community as possible – albeit delivered in a different way.

Grants

93. The Council receives a number of revenue grants each year e.g. New Homes Bonus, Flexible Homelessness Support, Discretionary Housing Payments but has also been very successful in attracting numerous "one off" type grants in the last few years e.g. Rogue Landlord funding, Rough Sleeper Prevention, Coastal Revival funding, Future Cities, and Active Women Programme, Answers in the Local Economy (ACE), Hastings Fisheries Local Action Group (HFLAG).

94. Regional and European funding successes have been very significant for Hastings. The Council has made further grant applications for very substantial sums of money and will continue to look to attract such funding to Hastings in the years ahead. Recent bids which the Council is involved in include, for example:-

    (i) Climate Active Neighbourhoods (CAN) (£870,000 over 3 years),
    (ii) Sustainable Housing Inclusive Neighbourhoods (SHINE) (£1.5m over 4 years), (iii) Community Led Local Development (CLLD) (£3.3m),
    (iv) Coastal Communities Fund 4 (Destination White Rock) – continuing the economic revival. Total project value (grant and match: £1,081,270).

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

96. Of significance is the monies paid to the Council from the Clinical Commissioning Group (CCG) for various joint initiatives which are included in the Council's budget (some £1.7m in total over the next 3 years). It should be noted that this inflates the Council's net expenditure figures (the funding is included in transfers from reserves).

New Homes Bonus

97. This grant regime commenced in April 2011. This is a grant that rewards the building of new houses and for bringing long term empty properties back into use. The sum receivable in 2018/19 amounting to £649,559 (down from £1,008,963 in 2017/18).

98. The government announced in the November 2015 Autumn Statement that it would be consulting on changes to the New Homes Bonus - the money saved going to Social Care. The outcome as announced on the 15 December 2016 has been to reduce the period that it is payable for - from 6 years to 4 years with a transition year for 2017/18 whereby 5 years is payable. The government also decided to introduce a minimum growth baseline of 0.4% below which the bonus will not be paid; this they state reflects a percentage of housing that would have been built anyway. The payment of a small amount to reflect the increase in affordable properties does not appear to be affected by the threshold decision.

99. The Council Tax Base return (CTB 1 in October 2018) identifies that the number of new properties completed and the number of long term empty properties brought back into use (net) amounted to some 141 and did not meet the threshold of achieving more than 0.4% of the housing stock. However the number of affordable properties completed amounted to some 94 for which there is a payment of £350 per property; resulting in income amounting to some £26,320 for 2019/20.

100. The table below shows the New Homes Bonus receivable by the Council in 2019/20 and estimates for future years.

Table: New Homes Bonus

Year	2017/18	2018/19	2019/20	2020/21 (Est)	2021/22 (Est)	2022/23 (Est)
	£	£	£	£	£	£
Year 1						
Year 2						
Year 3	119,097					
Year 4	382,670					
Year 5	119,542	119,542				
Year 6	382,055	382,055	382,055			
Year 7	5,600	5,600	5,600	5,600		
Year 8		142,362	142,362	142,362	142,362	
Year 9			26,320	26,320	26,320	26,320
Year 10				100,000	100,000	100,000
Year 11					50,000	50,000
Year 12						100,000
Total	1,008,964	649,559	556,337	274,282	318,682	276,320

101. The reduction between 2018/19 and 2019/20 is a funding loss of £93,222 – a 14.3% reduction.

102. Councils are using the bonus in different ways, either to help balance budgets, strengthen reserves, or for one off activities that do not add to ongoing spending commitments. For Hastings, the money has been fully utilised to help balance the budgets in every year since its introduction.

103. **There remains a real risk that this grant regime could be ended as part of the "Fair Funding review" – with no grant payable in 2020/21.** The government have stated that they will explore how to incentivise housing growth most effectively, by for example using the housing delivery test results to reward delivery or incentivise plans that meet or exceed local need.

Revised Budget 2018/19

104. The revised 2018/19 total service expenditure budget amounts to £13.36m, against an original budget of £12.8m (Appendix A). The deficit amounts to some £747,000.

105. The main variations are summarised in Appendix C. Of significance are:-

(i) the additional costs of temporary accommodation,

(ii) the revisions to the income projections for energy, housing and commercial property, and the impact of the timing on borrowing costs and the MRP calculations

(iii) revenue and benefit costs – decreases in the level of housing benefit paid out (reducing from £40m in 2017/18 to some £35.7m), save for temporary accommodation where the costs are projected to increase by some 62% to £637,000 in 2018/19 from £392,000 in 2017/18.

106. Income streams have generally held up well, save for Land Charges income which is seeing a significant decrease. This trend looks set to continue into 2019/20.

107. Redundancy costs are being incurred in 2018/19 as a result of cuts being made. These are being minimised as far as possible and are less than originally budgeted for – this results in less of a drawdown on the redundancy reserve in 2018/19, but further costs are expected in 2019/20.

Budget 2019/20

108. The Council's total service expenditure in 2019/20 is estimated at £13.6m. This compares to a revised estimate of £13.4m for 2018/19. However, the total expenditure for the Council increases to £16.14m from £15.04m in 2018/19 once net borrowing costs are taken into account.

109. The large funding reductions have continued with the loss of Revenue Support Grant/Business rate income and new homes bonus monies amounting to a reduction of some £647,000 in cash terms.

110. In addition to the reductions in central funding and New Homes Bonus there are a number of costs, that impact on 2019/20. These include :

    i) 2% Pay increase

    ii) Pension increase

    iii) Interest rates – Investments vs borrowing rates

    iv) Rateable values and appeals

    v) Redundancy costs fall within the year that the decision is made. Additional costs are anticipated in 2019/20 beyond the £175,000 allowed in the base budget. A further £225,000 is therefore being funded from the Redundancy Reserve i.e. £400,000 in total for 2019/20.

111. Significant additional funding has been received in the last few years to help address the homelessness issues (Flexible Homelessness Support Grant - £451,597 (2017/18) and £519,586 (2018/19)). A sum of £745,258 has been allocated to the Council for 2019/20. Even with these sums the net cost of Housing to the Council has increased.

112. The estimated balance on the Collection Fund at 31 March 2019 in respect of Council Tax is a surplus of £144,914 (Hastings BC share). Furthermore there is estimated to be a small credit on the Collection Fund in respect of business rates, a first for the Council, of some £28,183 (£63,396 deficit in 2018/19). This is adjusted in the 2019/20 accounting period as a credit to the General Fund.

113. Significant savings of £1.43m have been identified through the PIER process, which are offset by some areas of growth (£347,000). Please see Appendices K and K2 for details. Some of the proposed savings in future years, such as reductions in Community Partnership Funding, will involve the Council seeking other funding sources.

114. There are a number of further service reviews in the pipeline which should identify savings throughout 2019/20 and reduce the deficit during the year. One of these potential further savings involves changes to the current recycling arrangements which has the capacity to save a six figure sum in the future. Further details are given below.

Potential Further Savings – Recycling arrangements

115. The Assistant Director Environment and Place advises as follows:

“Under the terms of the next waste contract due to commence at the end of June 2019, it is possible for Hastings to negotiate changes to the recycling service in the areas that currently receive a weekly pink sack collection. The council can change these weekly recycling collections to fortnightly. No changes are being considered to the weekly black sack refuse collections.

Very few councils in surrounding areas now provide a weekly recycling collection for any of their residents, whereas about 37% of households in Hastings receive a weekly recycling collection. But typically they only generate about 20% of the total recycling collected across the whole borough. This is because despite numerous recycling campaigns, many of the residents currently getting a weekly recycling collection either don’t present any recycling at all, or present very little. In some whole streets under half of households present any recycling sacks at all for weekly collection.

Refuse and recycling lorries operating in urban boroughs like Hastings are relatively inefficient as they spend a lot of time idling and therefore have poor fuel consumption. They also cause traffic disruption that can lead to localised short term air quality issues during periods of peak traffic. So operating a weekly recycling round in areas of very low demand results in half empty freighters, which is a waste of money and also very bad for the environment.

Residents probably don’t present much recycling for the current weekly collection because they don’t have the space for a wheelie bin outside, and don’t have the space inside their home to store bags of recycling in addition to their black sack refuse. The solution is to provide a fortnightly recycling service and some additional on-street communal recycling facilities in these areas. This will make it easier and more convenient for these residents to recycle, and enable the move to a more environmentally sustainable fortnightly doorstep recycling collection. It is hoped that this will help to increase the recycling rate for Hastings, and it will reduce the carbon footprint of the service.”

116. **It is being recommended that the Director of Operational Services, or their nominee, in consultation with the lead member for Environment and Place, will consider, negotiate, undertake an Equality Impact Assessment and agree amendments to the recycling arrangements within the new joint waste contract.**

117. **Growth Proposals**; Of particular note is the continued move to electronic service delivery. This remains a priority and the need to have as many systems as possible on-line is critical if the Council is to achieve further efficiencies. The upgrade to Microsoft 10 is likewise viewed as critical. Additional staff are being sought to take forward the development of council owned land – thus meeting a number of the Council’s priorities not least in providing new homes.

118. Discretionary Housing Payments – £381,729 was received in 2018/19. The figure for 2019/20 is awaited.

119. The use of Invest to Save monies is considered fundamental to assisting the Council in the transformation to a lower spending authority – a business case is required before such money can be used. In February 2018 it was agreed that the use of the monies be determined under delegated powers by the Chief Finance Officer in consultation with the leader of the Council. It is recommended that the use of these sums is again determined for 2019/20 and beyond under delegated powers by the Chief Finance Officer in consultation with the leader of the Council. Most of the reserve will be exhausted during 2019/20.

120. As a result of inflationary impacts the Council can expect the costs of external service provision and supplies to rise.

121. In February 2018 the budget report included

“The Council will need to ensure it reviews specifications closely, as successfully achieved in the cleaning contracts, in order to ensure overall costs do not rise and this may also result in service reductions.”

Given the challenging financial position the same vigour needs to be applied going forward – before contracts are let.

122. The Capital programme is detailed separately in the report. There are aspects of Capital schemes e.g. feasibility studies that cannot be capitalised. These aspects will in the main continue to be funded from revenue reserves. Likewise the Council can recover some costs of disposal (revenue costs) from capital receipts when assets are sold. However, given the pressure on revenue resources and reserves the Council will soon be unable to afford the upfront costs associated with new projects/disposals unless it is able to set a sustainable budget in the near future.

123. In summary there is an estimated deficit of £1,747,000 in 2019/20. The savings identified and additional income generated, mean that a balanced budget can only be achieved in 2019/20 by using £1,096,000 of the remaining projected balance on the Transition Reserve, and all the remaining balances from both the Economic Development Reserve (£401,000) and the Community Safety Reserve (£250,000). In practice the identification of in year savings may negate the need to draw these full amounts from reserves.

124. In view of the reduced resources available in 2019/20 and beyond the Council must continue to review the level of service it can provide and transform the way it delivers those services. Priority, at least in the short to medium term, needs to be directed towards making urgent savings, initiatives which include income generation and thus balancing the budget.

125. To achieve a balanced budget in 2019/20 (without using reserves) further savings of £1,747,000 would need to be identified, which at this stage of the budget process would be difficult given the notice periods required for staff redundancies.

Budget 2020/21 and beyond

126. The results of the government's Spending Review (2019), the fair funding review and move to 75% business rate retention will undoubtedly alter the projections for 2020/21 and beyond. However based on current assumption of no new monies being available to Borough and District Councils overall, this section makes a best estimate of future budget shortfalls.

127. The table below shows deficits of £2.436m in 2020/21, £1.792m in 2021/22, and £1.879m in 2022/23 before the use of reserves. The above figures assume PIER savings and income generation projections, already identified, will be achieved in full or alternative savings to at least the same amount will be achieved.

	2018/19 (£000's)	**2019/20 (£000's)**	**2020/21 (£000's)**	**2021/22 (£000's)**	**2022/23 (£000's)**
Net Expenditure	14,207	15,116	15,652	15,370	15,765
Funding	(13,459)	(13,369)	(13,216)	(13,578)	(13,868)
Shortfall	**747**	**1,747**	**2,436**	**1,792**	**1,897**
Use of Reserves	(747)	(1,747)	0	0	0
Estimated Shortfall	**0**	**0**	**2,436**	**1,792**	**1,897**

128. To achieve a balanced budget in 2020/21 (without using reserves) savings of £2,436,000 need to be identified. The Transition Reserve will be down to £182,000 in 2020/21unless significant in-year savings are made during 2019/20.

129. To achieve a balanced budget in 2021/22 (without using reserves) savings of £1.792m need to be identified. By 2022/23 the figure increases to £1.897m.

130. The future projections are identified in Appendix G. These estimates assume savings and additional expenditure and will be refined as and when more information is available.

131. The Council needs to achieve a much higher level of Income generation and PIER savings than those currently identified in Appendix K in order to achieve a manageable deficit in 2020/21 and the years beyond. The further transformation of the ways that people deal with the Council and how it works (Digital by Design) remains crucial to achieving further savings. The achievement of these must remain a priority for the Council.

132. The reserves on their own are not sufficient to balance the budgets of the future years (based on current estimates and assumptions). In order to address the budgetary issues ahead whilst also looking to improve the customer experience,

and join up the major initiatives across the Council, it is recommended that the Priority Income and Efficiency Review process (PIER) be continued.

Council Tax

133. The Council has a record of lower than average tax increases, as identified in the table below.

Year	Hastings BC Tax Increase	National Average Increase	Hastings BC Council Tax Band D (£)
2010/11	1.9%	1.8%	235.85
2011/12	0%	0%	235.85
2012/13	0%	0.3%	235.85
2013/14	0%	0.8%	235.85
2014/15	0%	0.9%	235.85
2015/16	1.9%	1.1%	240.33
2016/17	2.1% (£5)	3.1%	245.33
2017/18	2.0% (£5)	4.0%	250.33
2018/19	2.99%	5.1%	257.81

134. The tax base for 2019/20 is some 1.1% higher, as a result of additional properties and a reduction in the Council Tax Support being claimed. The effect is to increase the tax base from 25,582 to 25,865 (worth some £75,000 p.a. to HBC alone).

135. It is again open to the Council to increase Council Tax for 2019/20. One percent on the Council Tax will equate to around £68,000 of income for this Council.

136. The 2019/2020 budget projection assumes a further contribution of £144,914 from the Council's Collection Fund in respect of Council Tax due to a good collection record. In terms of business rates income there is an estimated surplus of £28,183 but this figure could be amended significantly before the year end, and particularly so given the absence of some debt recovery staff at present.

137. The government have announced a shire district or borough Council can increase Council Tax by up to 3%, or up to and including £5, whichever is the higher. If higher then it will be required to hold a referendum.

138. The figures in the appendices (Appendix M) show an indicative 2.982 % (2.99% rounded up) increase for Hastings BC and a 2.99% increase for ESCC, 2.96% for the Fire Authority and a £24 (14.5%) increase for the Police and Crime Commissioner.

139. Council Tax is at £257.81 p.a. (Band D – Hastings BC element) and a 2.99% increase in 2018/19 would take this to £265.50 p.a. (a £7.69 per annum increase for a Band D property – a 15p per week increase).

Asset Sales - Capital Receipts

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

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

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

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

Capital Programme

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

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

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

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

b. meet the objective of sustainable development,

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

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

146. There is a need to maintain the property portfolio in order to avoid higher maintenance costs and declining assets in future years. This is vital where the Council's commercial estate is involved if rental streams are to be maintained and industry is to be attracted to the area in a period of economic uncertainty -

and also given the increase in competition for tenants. Likewise for the economic vitality of the town it is important that infrastructure remains well maintained. To this end the sum of £50,000 p.a. within the Capital programme is retained for public realm enhancements.

147. For 2018/19 there will be slippage on a number of schemes, including the Country Park Visitor Building, and York Buildings.

148. The purchase of a further commercial development site in Bexhill Road will help to regenerate the area, provide new jobs and also produce an income stream and business rate income. The scheme is expected to be completed in autumn 2019/20.

149. The level of Disabled Facility Grant (DFG) funding for 2018/19 was £1,679,000 with another £203,000 recently allocated. Figures have not yet been advised for 2019/20. The funding is from the Better Care Fund and paid to the Council from East Sussex County Council rather than directly by the government. The capital programme will be revised once figures for 2019/20 are received. On a national basis funding for DFG's is set to increase further in 2019/20. This is a capital grant and can be used for DFG purposes only. The budget is not currently being fully committed – the projected underspends are transferred to an earmarked reserve, with a risk that they may need to be repaid.

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

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

	Revised 2018/19 £'000s	**2019/20 £'000s**	**2020/21 £'000s**	**2021/22 £'000s**
Gross Capital Expenditure	26,312	19,251	7,347	3,736
Net Capital Expenditure	22,456	16,656	5,808	2,236
Financing from own resources	1,004	780	208	120
Borrowing Requirement	21,452	15,876	5,600	2,116

152. In terms of **net cost**, the 2018/19 programme has been revised to £22,456,000 from £28,691,000. The 2019/20 programme amounts to £16,656,000 (£19,251,000 Gross).

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

c denotes schemes which are committed

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

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

155. **Future Proposals:** Of significance are the potential schemes that will need funding in the long term e.g. new leisure centre at Bohemia if viable, and the development of the Council's own land whether it be through a joint venture (as proposed with the lower tier site on the Bexhill road) or whether the Council develops the various parcels of land itself through a contractor. The potential sums involved are very significant and are identified within the Capital Strategy elsewhere on the agenda.

156. Should the Council seek to develop the sites itself, following viability assessments and proper business cases, and financed by borrowing, then the Council's Treasury Management Strategy and the Capital Strategy will need to be further reviewed and approved by full Council – as the borrowing limits and Prudential indicators can only be determined by full Council. This can take place at any time through the financial year if necessary.

Capital Programme – Impact on Revenue Account

157. In determining the affordability of new capital proposals the Council had been required to consider the incremental impact on the Council Tax for future years (this is no longer a reporting requirement). The Council does need to scrutinise business cases for capital proposals and carefully assess the potential future financial burden of such decisions.

158. Where the programme is financed by capital receipts, reserves, external grants and contributions with limited borrowing the impact on the revenue budget at a time of low interest rates is relatively small. In short the Council's capital programme remains affordable for 2019/20 – whilst interest rates remain at roughly their current levels.

159. The capital programme has significantly increased in the last few years, as economic and regeneration opportunities have been taken. In 2018/19 borrowing is set to increase to some £60m and approaching £75m by the end of 2019/20.

Investment in Council Assets

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

161. The Council's Renewals and Repairs Fund is reviewed on a regular basis in order to ensure sufficient resources are available to fund necessary works.

Planned maintenance is normally cheaper in the long term than reactive maintenance.

162. It should be noted that the expenditure on planned maintenance has been exceeding the annual provision made and will not be sustainable at current levels. The latest rounds of cliff works has all been funded from the reserve.

Minimum Revenue Provision (MRP)

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

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

165. The MRP is set to increase substantially in 2019/20 and beyond as a result of additional borrowing, particularly in respect of economic and regeneration initiatives. The MRP for 2019/20 is estimated at £1,184,000 (excluding any notional figures for leasing arrangements). The Council's MRP policy is determined by full Council as part of the Treasury Management Strategy in February for the forthcoming year.

166. There is an adjustment to the MRP in 2018/19, following an over provision in 2017/18 for an annuity debt repayment. This amounts to an MRP reduction of £181,875 for 2018/19 only.

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

CFR	2018/19 (Adj. Est)	2019/20 (Est)	2020/21 (Est)	2021/22 (Est)	2022/23 (Est)
	£	£	£	£	£
CFR-Opening	39,493,000	60,150,000	74,842,000	78,814,000	79,155,000
Less MRP	-795,000	-1,184,000	-1,628,000	-1,775,000	-1,875,000
Plus, New Borrowing	21,452,000	15,876,000	5,600,000	2,116,000	0
CFR Closing	60,150,000	74,842,000	78,814,000	79,155,000	77,280,000

167. These figures are very much dependent upon the level and timing of capital acquisitions, the level of capital receipts received and the useful life of the assets acquired or constructed. The figures will continue to be reviewed

throughout 2019/20 and regularly thereafter, based on the proposed Capital programme, and subsequent changes and timing thereof.

168. The Commercial properties, and housing assets are generally financed over 40 years. A new development on Bexhill Road will be financed over 50 years through an Annuity loan i.e. paying off principal over the period of the loan).

Reserves

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

170. The strategic reasons for holding reserves are:-

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

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

c. A means of building up funds to meet known or potential liabilities (provisions are used for liabilities with uncertain timings or amounts). Such reserves are referred to as Earmarked reserves.

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

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

171. The Council maintains a working balance in accordance with (a) above in the sum of £500,000. In respect of (c) above there is a need to maintain assets to avoid higher maintenance costs and declining assets. This is vital where the Council's commercial estate is involved if rental streams are to be maintained and industry is to be attracted to the area. The full renewals and repairs programme is attached in Appendix J.

172. For the budget strategy reserves at 31 March 2019 are estimated to consist of:-

	Estimated

General Reserves	Balance at 31.3.2019 £'000s
Revenue Reserves	7,895
Capital Reserve (Revenue monies)	150
Total	**8,045**

Earmarked Reserves	Estimated Balance at 31.3.2019 £'000s
Renewals and Repairs Reserve	1,330
Insurance & Risk Management Reserve	315
IT Reserve	55
S106 Reserve	507
Government Grant Reserve	588
Revenue Hardship Fund	80
Monuments in Perpetuity	42
Ore Valley	250
Invest to Save and Efficiency Reserve	271
Resilience and Stability Reserve	600
Transition Reserve	1,277
Redundancy Reserve	573
Community Safety Reserve	250
Economic Development Reserve	401
Disabled Facilities Reserve	925
Clinical Commissioning Group	586
Selective Licensing	165
Housing Licensing Reserve	158
Other reserves	105
Total	**£8,477**

173. The protection of key services has remained of crucial importance to the Council and the Transition Reserve, Economic Development Reserve and Community Safety Reserve has provided the Council with the opportunity to protect some key services and activities until now e.g. the ability to continue regeneration and attract grant funding to the town remains a key priority. The strategy continues to identify the use of these reserves in 2019/20, but thereafter they are exhausted.

174. At 31 March 2019 General and Capital Reserves will amount to an estimated £8.45m, of which some is already committed e.g. empty homes strategy (£150k). Earmarked reserves amount to £8.477m, so total reserves are estimated at £16.522m. The reserves are projected to decrease to £13.88m by 31 March 2020 and of these some £2m are not available to support general revenue expenditure.

175. The estimated reserves position, as at 31 March 2019, is shown in Appendix H. As an absolute minimum, the General Reserve should be £6m i.e. the non-earmarked reserves. This level, the same as for 2018/19 reflects the more difficult funding regime, as well as the experience of recent years which has seen financial claims being made against the Council e.g. pier claim and the mandatory rate relief claim in respect of NHS properties (both of which continue). This level is required to be maintained to cover unexpected expenditure, e.g. emergencies, potential over runs of gross expenditure and down turns in income sources, and was arrived at as follows:-

(i) 10% downturn in income (sales, fees, rents, etc) - £2m (Projection)

(ii) 5% over run in expenditure (including capital) - £2m

(iii) Unforseen events/losses - £2m

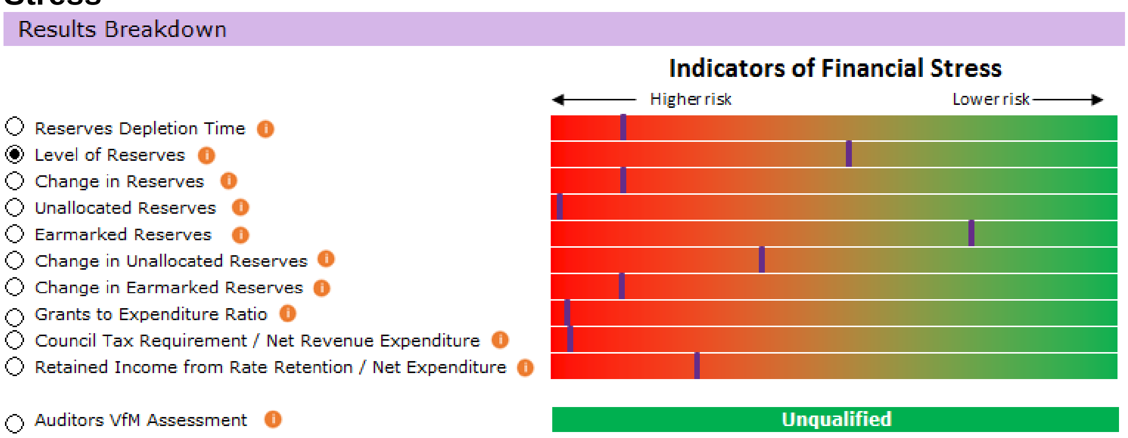
176. In addition, given the economic environment and all the uncertainties described elsewhere, it is prudent to maintain the reserves at a figure above the absolute minimum and wherever possible increase the level of reserves. Any under spends in the year must be considered as opportunities to strengthen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

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

Budget and Resilience (Financial Stress) & Chief Finance Officer Statement

177. CIPFA have developed a range of indicators for 2019/20 which will become a mandatory reporting requirement when a new Financial Management Code is adopted by CIPFA (expected during 2019/20). There is no single weighted composite index now, and hence no national comparatives. The results are shown below – based on 2017-18 figures

Table: Showing CIPFA Indicators of Financial Stress

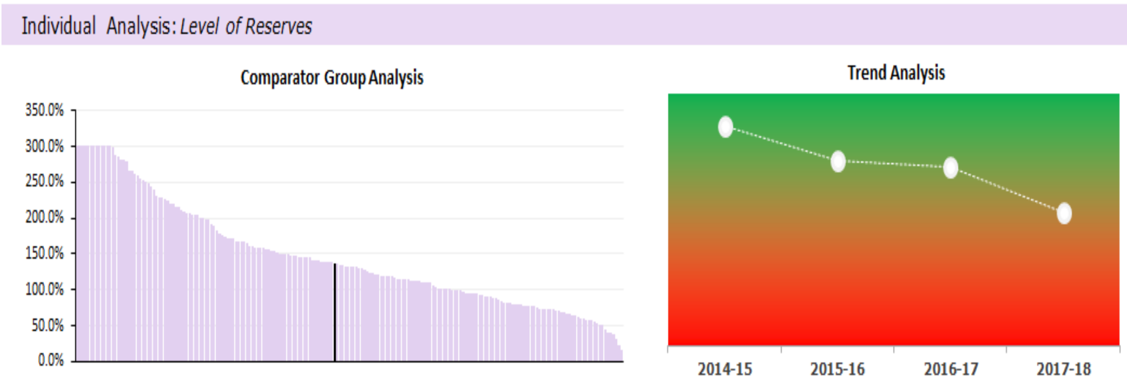


178. From the above table it can be seen that the majority of the Council's indicators are in the higher risk spectrum. The two that are not, are the level of Reserves and level of earmarked reserves. However it needs to be made clear that these results are backward looking.

179. The indicators highlight that the reserves are being depleted faster than at other Councils, that there is a very low level of unallocated reserves, that earmarked reserves are being used more rapidly. The analysis identifies that grants and Council Tax form a significant element of the Council's net budget and as external funding diminishes this poses a greater risk to the Council's sustainability.

180. **Analysis of Reserves**

Comparing the Council's level of reserves to others shows the Council had reserves amounting to the equivalent of 135.8% of the Council's net expenditure in 2017/18. By the end of the next financial year the useable reserves are expected to decrease to around 91% of the Council's net revenue budget – a much poorer position than in the current comparator group analysis below.



181. The increasing use of the reserves has been fully highlighted in the Medium Term Financial Strategy and elsewhere in this report, and always intended to use the transition reserves to help move to a lower spending Council. Whilst the Council has found savings it needs to find a lot more during 2019/20 and 2021/22.

Chief Finance Officer Statement

182. Section 25 of the Local Government Act 2003 requires the Chief Financial Officer to report to members on the robustness of the estimates and the adequacy of the reserves when considering the budget and Council Tax.

183. It is the view of the Assistant Director - Financial Services & Revenues (Chief Finance Officer) that the processes followed and the information systems used are sound and that the regular reporting and involvement of senior managers in managing budgets provides sufficient assurance that the resultant estimates are as robust as present economic circumstances and resources allow and that the reserves are currently adequate – but no more than adequate given the

uncertainties surrounding future funding streams, and the difficulties that will be faced in identifying more savings and generating additional income without risking the future sustainability of the Council.

Consultation

184. The draft Corporate Plan and Budget being the subject of consultation (from Friday 11 January 2019). The closing date for comments (Friday 8 February 2018) being after the dispatch of the Cabinet agenda and therefore any comments received are reported verbally to Budget Cabinet on 11 February. Comments received from the business community, voluntary and community sector organisations and the Overview and Scrutiny Committee meeting being included within the Corporate Plan report elsewhere on the agenda.

185. The full Council meets to set the budget on 20 February 2019.

Equalities and Community Cohesiveness

186. The equalities implications of the proposals included in the draft budget and corporate plan are set out in Appendix K2. Members are reminded that they are under a duty to give due regard to considerations of equality when making decisions regarding the Budget and Corporate Plan, (Equality Act 2010). As with the consultation feedback set out above, if any information is submitted as part of the consultation which requires a revision of this assessment, this too will be made available to Members at the Budget Cabinet meeting.

Risk Management

187. Numerous risks are highlighted in this report, and further comment is made below. The risks include reduced government funding, enhanced demand for Council services, delays in asset disposals. There are continuing risks surrounding the funding and employment of staff delivering housing benefits over the next few years. The Council must further prioritise its objectives and identify where it will need to make savings to balance the budget in 2020/21 and beyond.

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

189. The Council must seek to identify further opportunities for contract savings, plus identify, investigate and implement efficiencies, identify income generation opportunities and ensure that potential savings are monitored and achieved. Where services are overspending, rapid action must be taken in year to ensure that costs are contained within overall budgets. The luxury of having reserves available to cover such costs has substantially reduced.

190. The Council maintains risk registers for corporate risks and for individual services. These must be updated and reviewed on a more regular basis and

steps taken to mitigate the risks wherever possible and practical. The transition to a lower spending Council poses additional risks.

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

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

External funding in terms of the government's Spending Review 2019 (SR19), the retention of more business rates in 2020/21, and the Fair Funding Review (with new grant funding regime in place from 2020/21).

The move to 75% retention (from the current 50%) in 2020/21 passes on the additional risks of volatility to councils – the implications will be very much in the detail, which is awaited.

Business rates in the meantime continue to present real uncertainties. Volatility in income streams arising from both local and national economic pressures, the level of successful rating appeals, and the collection rates achieved. The appeals provision within the Council's accounts amounted to some £3.217m at 31 March 2018 of which HBC's share is some £1.287m.

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

The Council has been seeking to grow its income streams considerably. New initiatives need proper and effective governance arrangements and business cases need to be robust. Due diligence needs to be thoroughly undertaken, often under restricted timescales, along with financial and taxation implications.

The employment of the Income Generation Manager is helping the Council to identify and progress viable schemes – thus helping to reduce the risk of unbalanced budgets in future years. There remains considerable pressure on existing staff and prioritisation of work is required.

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

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

(iii) **Joint working/ shared services/ contracts**.

Re-letting of the Waste and Street Cleaning Contracts – The costs to the Council are estimated to increase by some £1.4m in a full year (including the loss of recycling credits). The establishment of a Street Cleaning Direct Service organisation (DSO) brings its own set of risks and opportunities.

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

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

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

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

(vi) **Restructuring Costs.** In order to make savings of the magnitude required in the future, the Council will need to further reconsider what services it can provide and to what level. The continued transformation and digitalisation of services continues and further restructuring seems inevitable. Voluntary and/or compulsory redundancies have large financial consequences for the authority, both in terms of direct payments but also generally on the Pension Fund - in addition to the effect on the capacity of the organisation and knowledge management implications. The Council established a Redundancy Reserve as part of the budget setting process in 2011/12 which has been added to when possible (Estimated balance at 31 March 2019 is £573,000). The intention will be to meet any future redundancy costs from either the 2019/20 provision or the redundancy reserve. The reserve assists in transforming the Council to a lower spending organisation in the years ahead.

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

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

(ix) **Potential Liabilities**
(i) The Council continues to rebut a backdated claim for mandatory rate relief in respect of NHS properties amounting to some £4.3m for a period of 6 years. If the claim were ever to be accepted the ongoing loss of revenue would amount

to an estimated £350,000 p.a. (Hastings Share). The Council's share of the £4.3m would amount to some £1.9m (44%). This claim would now be higher given the period that has now elapsed since receiving the claim. The Local Government Association are coordinating support i.e. providing Counsel's advice on behalf of the hundred plus local authorities potentially affected. In the meantime the minimum level of Reserves that the Council has needs to be maintained.

(ii) Cliffs –A further £100,000 was allocated from the renewal and repairs reserve for additional works in 2018/19. Further costs are expected to arise once further clearance and repair work is undertaken and an additional £50,000 is included in the budget for 2019/20.

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

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

(xii) **Pension Fund** – The performance of the fund and the actuarial revaluation – new rates will apply from 2020/21. The period between reviews may also change.

Economic/ Financial Implications

191. The report supports the alignment of corporate priorities with available resources, produces a robust and balanced budget for 2019/20 (albeit with significant use of reserves). There are a number of projects forthcoming within the capital programme to assist the continuation of the regeneration of Hastings.

192. The financial implications in 2019/20 and beyond are detailed in the report. However, significant further action by the Council will be required to produce a sustainable budget beyond 2019/20 and this may result in more post losses.

193. The economic regeneration of the town remains a key priority for the Council. The ability to work with partners to help stimulate the local economy continues but will be seriously reduced in the future with the reductions in our funding. However in the short term the Council established some limited reserves for economic development and for community safety as a means of ensuring the Council can continue to make a contribution to the regeneration of the town over the next few years. These are being used to support the budget in 2018/19 and 2019/20.

Organisational Consequences

194. The Council has limited available reserves and has an ambitious corporate plan. To stand a chance of achieving a sustainable budget in the future, priorities must be reassessed and staff must be directed, at least temporarily towards those areas that will generate significant income or significantly reduce costs.

There will inevitably be consequences from time to time as this process continues given the substantial savings the Council is required to make. The Council seeks to minimise the impact wherever possible through redeployment and voluntary severance.

Anti-Poverty

195. The Council considers the Council Tax Support scheme at the Cabinet meeting on 7 January 2019 and at full Council on 13 February 2019. The draft scheme continues to provide 100% support for those claimants most in need and hence helps to protect some of the more vulnerable households in the community. The overall costs to the scheme are estimated to be broadly comparable to those of 2018/19. If the scheme is not approved there would be budgetary implications.

Equalities and Community Cohesiveness

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

Wards Affected

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

Policy Implications

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

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

Additional Information

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

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Budget - DRAFT

2019-2020

Hastings Borough Council

Financial Services
www.hastings.gov.uk

Appendices to Budget Report

Contents:

REVENUE BUDGET SUMMARY

Appendix A

	2018-2019 Original Budget £	2018-2019 Revised Budget £	2019-2020 Estimate Budget £
Directorates			
Corporate Resources	1,244,970	**1,554,230**	**1,366,870**
Operational Services	11,055,900	**11,759,350**	**11,958,288**
Direct Service Expenditure	12,300,870	**13,313,580**	**13,325,158**
Contingency Provision (incl. R&R Reserve)	500,000	**46,790**	**300,000**
Total Service Expenditure	12,800,870	**13,360,370**	**13,625,158**
Provision for the Repayment of Principal (MRP)	1,116,000	**795,000**	**1,184,000**
Net Interest (Earnings) / Payments	1,189,955	**884,204**	**1,334,533**
Total Expenditure	15,106,825	**15,039,574**	**16,143,691**
Amount to be met from Grant and Collection Fund			
Government Grant - Revenue Support Grant	(1,542,094)	**(1,542,094)**	**0**
New Homes Bonus	(649,559)	**(649,559)**	**(556,337)**
New Homes Bonus Return Funding	(8,670)	**(8,670)**	**0**
NNDR (Surplus) / Deficit	63,396	**63,396**	**(28,183)**
Council Tax (Surplus) / Deficit	(125,899)	**(125,899)**	**(144,914)**
Housing Benefit Administration Grant	(420,606)	**(420,606)**	**(389,046)**
Council Tax Support Admin Grant	(166,913)	**(166,913)**	**(160,753)**
Business Rates	(2,756,880)	**(2,884,302)**	**(3,563,061)**
Business Rates - Pooling	(57,589)	**(85,711)**	**(91,361)**
Business Rates - Section 31 Grant	(1,113,725)	**(1,043,810)**	**(1,568,916)**
Council Tax	(6,595,295)	**(6,595,295)**	**(6,867,158)**
Total Funding	(13,373,834)	**(13,459,463)**	**(13,369,728)**
Funding deficit / (surplus)	1,732,991	**1,580,110**	**2,773,963**
Reserve movements			
Contributions to Capital from Grant and Revenue (Appendix B)	0	**0**	**0**
Contributions to Reserves (e.g. R&R)	1,071,784	**1,038,810**	**744,440**
Use of Earmarked Reserves (see Appendix H)	(1,766,012)	**(1,871,726)**	**(1,771,850)**
Net Contribution to/(from) Reserves	(694,228)	**(832,916)**	**(1,027,410)**
Use of Reserves to fund Deficit			
Transfer from Transition Reserve	(838,763)	**(547,194)**	**(1,095,553)**
Transfer from General Reserve	0	**0**	**0**
Transfer to/(from)Specific Reserve	(200,000)	**(200,000)**	**(651,000)**
Total	(1,038,763)	**(747,194)**	**(1,746,553)**
General Fund Movement	0	0	0
Net Council Expenditure	14,712,597	**14,206,658**	**15,116,281**

COUNCIL TAX

2018-2019 Total	2018-2019 Band D		2019-2020 Total	2019-2020 Band D	Increase
£	£		£	£	%
13,373,834		Budget requirement	13,369,728		
(1,542,094)		Revenue Support Grant	0		
(166,913)		Council Tax Administration Support Grant	(160,753)		
(649,559)		New Homes Bonus	(556,337)		
(62,503)		Collection Fund (Surplus) / Deficit	(173,097)		
(1,600,590)		Other non-ring fenced grants	(2,049,323)		
(2,756,880)		Retained Business Rates	(3,563,061)		
6,595,295	**257.81**	**Borough Council Tax**	**6,867,158**	**265.50**	2.98%
35,638,540	1,393.11	County Council Precept	37,110,585	1,434.78	2.99%
2,327,962	91.00	Fire Authority Precept	2,423,292	93.69	2.96%
4,244,310	165.91	Police and Crime Commissioner Precept	4,912,022	189.91	14.47%
48,806,107	**1,907.83**	**Total Council Tax**	**51,313,056**	**1,983.88**	3.99%
	25,582	**Council Taxbase at Band D**		**25,865**	

TABLE OF COUNCIL TAX BANDS AND AMOUNTS :

2018-2019 Amount	*Band and Value **	*Relationship to Band D*	*East Sussex C.C.*	*Police and Crime Commissioner*	*East Sussex Fire Authority*	*Hastings B.C.*	*2019-2020 Total Amount*
£1,271.89	A - up to £40,000	6 / 9	**£956.52**	**£126.61**	**£62.46**	**£177.00**	£ **1,322.59**
£1,483.87	B - £40,001 up to £52,000	7 / 9	**£1,115.94**	**£147.71**	**£72.87**	**£206.50**	£ **1,543.02**
£1,695.85	C - £52,001 up to £68,000	8 / 9	**£1,275.36**	**£168.81**	**£83.28**	**£236.00**	£ **1,763.45**
£1,907.83	D - £68,001 up to £88,000	-	**£1,434.78**	**£189.91**	**£93.69**	**£265.50**	£ **1,983.88**
£2,331.79	E - £88,001 up to £120,000	11 / 9	**£1,753.62**	**£232.11**	**£114.51**	**£324.50**	£ **2,424.74**
£2,755.75	F - £120,001 up to £160,000	13 / 9	**£2,072.46**	**£274.31**	**£135.33**	**£383.50**	£ **2,865.60**
£3,179.72	G - £160,001 up to £320,000	15 / 9	**£2,391.30**	**£316.52**	**£156.15**	**£442.50**	£ **3,306.47**
£3,815.66	H - over £320,000	18 / 9	**£2,869.56**	**£379.82**	**£187.38**	**£531.00**	£ **3,967.76**

43,384	Number of properties on Council Tax Banding List	43,525
£25,582	Each £1 of Council Tax at Band D will raise	£ 25,865

1. BUSINESS RATES BASELINE

	Budget 2019-20 Amount £	Revised Budget 2018-19 Amount £	Budget 2019-20 Amount £
NNDR Income			
Gross rateable value	62,697,362	62,972,809	62,755,809
Small business multiplier	48.0	48.0	49.1
Gross rates receivable	30,094,734	30,226,948	30,813,102
Reliefs and allowances for bad debt and appeals	(9,030,653)	(8,826,989)	(9,618,149)
Net rates less losses	21,064,081	21,399,959	21,194,953
Cost of Collection allowance	(131,620)	(131,620)	(132,166)
NNDR Income	20,932,461	21,268,339	21,062,787
Hastings BC Share (40% / 44%)	**8,372,984**	**8,507,335**	**9,267,626**
Tariff Calculation			
Business Rates Baseline for HBC	9,175,012	9,175,012	10,268,310
DCLG calculation of baseline funding level	3,674,085	3,674,085	4,746,465
Adjustment for Revised budget	0	(49,315)	0
Tariff	**5,500,927**	**5,451,612**	**5,521,844**
Levy calculation			
Total income	8,372,984	8,507,335	9,267,626
Add proportion of small business relief	882,205	887,897	1,020,538
Add reliefs attracting Section 31 grant	150,176	73,307	345,588
Adjusted income	9,405,365	9,468,539	10,633,752
Less Tariff	(5,500,927)	(5,451,612)	(5,521,844)
	3,904,438	4,016,927	5,111,908
Baseline funding level	(3,674,085)	(3,674,085)	(4,746,465)
Growth	230,353	342,842	365,442
Levy payable (50% / 25% growth (pool share)	**115,177**	**171,421**	**182,721**
Pooling income (50% of levy / additional pool share)	**(57,589)**	**(85,711)**	**(91,361)**
Safety Net calculation			
Baseline funding level	3,674,085	3,674,085	4,746,465
Threshold (92.5% / 95% of baseline funding level)	3,398,529	3,398,529	4,509,142
Adjusted income less Tariff	3,904,438	4,016,927	5,111,908
Difference	505,909	618,398	602,766
Safety Net receivable	**0**	**0**	**0**
Business Rates Collection			
Business Rates precept	8,372,984	8,507,335	9,267,626
Tariff	(5,500,927)	(5,451,612)	(5,521,844)
Levy	(115,177)	(171,421)	(182,721)
Safety Net	0	0	0
Net Business Rates collection	**2,756,880**	**2,884,302**	**3,563,061**

2. COLLECTION FUND

	2019-20 Original Budget £	2018-19 Revised Budget £	2019-20 Estimate Budget £
Council Tax (Surplus) / Deficit	(125,899)	(125,899)	(144,914)
Non Domestic Rates (Surplus) / Deficit	63,396	63,396	(28,183)
Total Collection Fund (Surplus) / Deficit	**(62,503)**	**(62,503)**	**(173,097)**

INTEREST, MINIMUM REVENUE PROVISION & CONTRIBUTIONS TO RESERVES

Appendix B

	2018-19 Original Budget £000's	2018-19 Revised Budget £000's	2019-20 Estimated Outturn £000's
Net Interest Payments	1,190	884	1,335
Contributions to Reserves	1,072	1,039	744
Minimum Revenue Provision (Statutory provision for principal repayment arising from borrowing requirement)	1,116	795	1,184
Total	3,378	2,718	3,263

Interest	£000's	£000's	£000's
Gross Interest Payable	1,655	1,310	1,950
Gross Interest Received	(395)	(366)	(553)
Income and expenditure in relation to investment properties	(70)	(70)	(72)
Fees	0	10	10
	1,190	884	1,335

Contributions to / from Capital / Reserves	£000's	£000's	£000's
Disabled Facilities Grant	0	0	0
	0	0	0

Contributions to Reserves	£000's	£000's	£000's
IT Reserve	214	214	214
Government Grant Reserve	109	0	0
Transfer to Specific Reserve re: Selective Licensing	130	165	3
Transfer to Specific Reserve re: Housing Licensing	110	152	19
R&R General	420	420	420
R&R White Rock Theatre	80	80	80
R&R re: New Vehicles	8	8	8
	1,072	1,039	744

Transfers to/ between Reserves	£000's	£000's	£000's
Transfer from General Reserve to IT Reserve	0	0	0
Transfer to Transition Reserve from Capital Reserve	0	0	0
Transfer to Transition Reserve from General Reserve	0	0	0
Transfer between General Reserve to Community Housing Reserve	0	0	0
General Reserve	0	0	0
Invest to Save and Efficiency Reserve	0	0	0
	0	0	0
Total Income and Transfers	1,072	1,039	744

	2018-2019		2019-2020	
	£'000	£'000	£'000	£'000
Original 2018/19 Budget		12,301		12,301
Inflation				
Pay & Prices		0		569
Income Variations				
Recycling Credits	(116)		149	
Development Control	0		0	
Land Charges - Searches carried out by other providers	39		39	
Flexible Housing Support Grant	(71)		(80)	
Selective Licensing	0		155	
Syrian Resettlement Scheme (External Funding)	109		105	
Coastal Communities Fund	46		15	
Housing Licensing Scheme	(2)		125	
Council Tax	132		131	
Rental Income	415		(146)	
Compensation	(81)		0	
Fees and Charges	(0)		(423)	
		471		69
Budget Reductions				
Turnover Savings	(158)		(4)	
Planning Policy	0		(2)	
CHART	0		(11)	
BID	(5)		(5)	
Play Development	12		(20)	
Development Control Agency Budget	(55)		(46)	
Selective Licensing Agency Budget	(38)		(39)	
Building Control - contract outsourcing	(17)		(12)	
No election 2019-20	8		(100)	
Housing Benefit Costs	(271)		(271)	
PIER savings (appendix K)	(0)		(936)	
		(646)		(1,561)
Growth & Commitments				
Finance staffing	0		0	
Renewable Energy Soloutions	90		61	
Temporary Accomodation	136		181	
Waste Contract / DSO	87		846	
Estates Fees and Advice	40		0	
New Operating System Licenses	0		87	
Service Charges Payable	56		56	
Legal Costs	40		0	
Pension costs	0		54	
PIER Growth (Appendix K)	2		80	
Planning Document Scanning	120		0	
Rates	25		17	
		794		1,579
Previous years unspent budgets carried forward into 2018/19		311		0
Other Minor Changes		53		35
Invest to save funded items		(150)		(32)
R&R Reserve funded items		253		227
Severence Reserve		(132)		0
Countryside Stewardship Reserve (GGR)		0		10
Foreshore Trust Recharges		(42)		6
Opening Doors Reserve		15		(11)
Street Games Reserve		9		0
Revenues Services Reserve (GGR)		76		60
TOTAL - Net Additional/ (Reduced) Council Expenditure		1,013		1,025
		13,314		13,325

	£	£
2018/19 Budget deficit		1,038,763
Growth Items		
Waste Contract / DSO	846,000	
Inflation	569,000	
R&R Reserve funded items	227,000	
Temporary accommodation costs	181,000	
Selective Licencing costs	155,000	
Loss of recycling credits	149,000	
Renewable Energy Solutions	61,000	
Council Tax reduced income	131,000	
Housing Licensing Scheme costs	125,000	
Syrian Resettlement Scheme costs	105,000	
New Operating System Licenses	87,000	
PIER Growth items	80,000	
Service Charges Payable	56,000	
Pension costs	54,000	
Land Charges reduced income	39,000	
Other net growth items	158,288	
		3,023,288
Fees and charges additional income		(423,000)
Additional rental income		(146,000)
Savings		
PIER Savings - Income Strategy	(148,000)	
PIER Savings - Other	(1,282,000)	
		(1,430,000)
Other changes		
Reduced Contingency Provision		(200,000)
Increase in Provision for the Repayment of Principal (MRP)		68,000
Additional interest costs		144,578
Amount to be met from Grant and Collection Fund		4,106
Reserve movements		(333,182)
		1,746,553
Use of Reserves to fund deficit		
Transfer from Transition Reserve	(1,095,553)	
Transfer from General Reserve	0	
Transfer to/(from)Specific Reserve	(651,000)	
		(1,746,553)
2019/20 Unfunded deficit		**0**

Appendix D

CAPITAL PROGRAMME SUMMARY

		Original 2018/19 £'000	Revised 2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	Subseq. Years £'000	Total over Prog Period £'000
Net cost by Service								
Corporate Resources		20,907	15,710	5,492	0	0	0	21,202
Operational Services		7,784	6,746	11,164	5,808	2,236	85	26,039
		28,691	**22,456**	**16,656**	**5,808**	**2,236**	**85**	**47,241**
Net cost by Status								
Committed Schemes	c	28,691	21,765	13,137	3,673	85	85	38,745
Uncommitted Schemes	u	0	0	84	2,100	2,116	0	4,300
New Schemes	n	0	691	3,435	35	35	0	4,196
		28,691	**22,456**	**16,656**	**5,808**	**2,236**	**85**	**47,241**
Gross cost of schemes analysed by service								
Corporate Resources		20,952	15,847	5,492	0	0	0	21,339
Operational Services		11,986	10,465	13,759	7,347	3,736	1,585	36,892
		32,938	**26,312**	**19,251**	**7,347**	**3,736**	**1,585**	**58,231**

CAPITAL PROGRAMME FINANCING STATEMENT

Appendix E

	2018/19 Original £'000	2018/19 Revised £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	Total over life of Programme £'000
Spending						
Capital Spending						
Total Gross Spend	32,938	26,312	19,251	7,347	3,736	56,646
Capital Grants and Contributions Received	(4,199)	(3,856)	(2,595)	(1,539)	(1,500)	(9,490)
Capital Requirement	**28,739**	**22,456**	**16,656**	**5,808**	**2,236**	**47,156**
Financing available						
New Capital receipts in year	4,965	1,012	185	185	185	1,567
Bfwd Capital Receipts	0	352	360	0	0	712
Total	4,965	1,364	545	185	185	2,280
Finance Used						
Capital Reserve / Revenue/R&R reserve	324	0	184	23	0	207
Capital Receipts used from asset sales	1,255	1,004	185	185	120	1,494
Capital receipts from prior years	0	0	411	0	0	411
Total Financing available from internal resources	**1,579**	**1,004**	**780**	**208**	**120**	**2,112**
Remaining Financing Requirement	**27,160**	**21,452**	**15,876**	**5,600**	**2,116**	**45,044**

Government Grant Reserves

Appendix F

Cost Centre New/Old Code	Description	Holding Account New / Old Code	Balance b/f 1 April 2018 £ 000's	Income & Transfers £ 000's	Expenditure & Transfers £ 000's	Balance c/f 31 March 2019 £ 000's	Income & Transfers £ 000's	Expenditure & Transfers £ 000's	Balance c/f 31 March 2020 £ 000's
20110 / 1055	DCE-Revenues Division	Q1028 / X394	(513)	0	76	(437)	0	60	(377)
42474 / 8931	New Burdens	Q1019 / X896	(10)	0	0	(10)	0	0	(10)
00000 / 1985	Coastal Change Pathfinders	Q2354 / X396	(25)	0	0	(25)	0	0	(25)
20216 / 1988	FLAG	Q1011 / X407	(16)	0	0	(16)	0	0	(16)
20264 / 6657	Active Hastings	S1001 / X094	(24)	0	0	(24)	0	24	0
20266 / 6666	PCT play grant	Q1022 / X376	(3)	0	0	(3)	0	0	(3)
20262 / 6651	Street Games	Q1032 / X065	(26)	0	9	(17)	0	0	(17)
20263 / 6675	Sports for All	Q1030 / X550	(5)	0	3	(2)	0	0	(2)
20314 / 6508	Countryside Stewardship	Q1007 / X321	(36)	0	0	(36)	0	10	(26)
20271 / 6640	Opening Doors - Sport England	Q1021 / X551	(45)	0	26	(19)	0	0	(19)
	Total		**(702)**	**0**	**114**	**(588)**	**0**	**94**	**(494)**

Revenue Budget Forward Plan

Appendix G

Ref	Revenue Budget Forward Plan	2018-19 Revised Budget £000's	2019-20 Budget £000's	2020-21 Projection £000's	2021-22 Projection £000's	2022-23 Projection £000's
1	**Net Service Expenditure**	**13,314**	**13,325**	**13,692**	**14,065**	**14,447**
2	**Funding Commitments:-**					
3	Pension Fund - Employers increase			0	0	0
4	Election Costs (bi-annually)			120	0	120
5	Waste Contract - Recycling			156	156	156
6	Street Cleaning Contract			112	112	112
7	Revenues & Benefits - 2019/20 bad debt provision.			189	189	189
8	**Savings/Additional Income Identified**					
9	PIER income - Energy Gross (shown net in Apx K)			(117)	(256)	(259)
10	PIER income Commercial Property (Gross)			(422)	(433)	(433)
11	PIER other (Apx K)			(273)	(614)	(614)
12	PIER removal of temporary growth (Apx K)			0	0	(80)
13	Fees and Charges			(60)	(120)	(180)
14	Contingency Provision	47	300	300	300	300
15	Interest (net of Fees) & other Adjustments	884	1,335	1,355	1,223	1,160
16	Minimum Revenue Provision (excl. Inc Gen Adj)	795	1,184	1,628	1,775	1,875
17	Contribution to Reserves	1,039	744	744	744	744
18	Net Use of Earmarked Reserves	(1,872)	(1,772)	(1,772)	(1,772)	(1,772)
19	**Net Council Expenditure**	**14,207**	**15,116**	**15,652**	**15,370**	**15,765**
20	Taxbase	25,582	25,865	26,124	26,385	26,649
21	Council Tax	257.81	265.50	273.44	281.61	290.03
22	**Funding**					
23	From Collection Fund - Council Tax	(6,595)	(6,867)	(7,143)	(7,430)	(7,729)
24	From Collection Fund - Business Rates	(2,884)	(3,563)	(3,599)	(3,635)	(3,671)
25	Revenue Support Grant	(1,542)	0	0	0	0
26	New Homes Bonus	(650)	(556)	(274)	(319)	(276)
27	New Homes Bonus return funding	(9)	0	0	0	0
28	Council Tax Support Admin Grant	(167)	(161)	(149)	(138)	(127)
29	Housing Benefit Admin Grant	(421)	(389)	(360)	(333)	(308)
30	NNDR (Surplus) / Deficit	63	(28)	0	0	0
31	NNDR Pooling	(86)	(91)	(91)	(91)	(91)
32	Business Rates Section 31 Grant	(1,044)	(1,569)	(1,600)	(1,632)	(1,665)
33	Council Tax Surplus	(126)	(145)	0	0	0
34	**Contribution To General Fund**	**(13,459)**	**(13,370)**	**(13,216)**	**(13,578)**	**(13,868)**
35	**Funding Shortfall / (Surplus)**	**747**	**1,747**	**2,436**	**1,792**	**1,897**
36	**Use of General Reserve**	0	0	0	0	0
37	**Use of Transition Reserve**	(547)	(1,096)	0	0	0
38	**Use of Resilience and Stability Reserve**	0	0	0	0	0
39	**Use of Community Safety Reserve**	(100)	(250)	0	0	0
40	**Use of Economic Development Reserve**	(100)	(401)	0	0	0
41	**Net Funding Shortfall / (Surplus)**	**0**	**0**	**2,436**	**1,792**	**1,897**

RESERVES **Appendix H**

	2018 / 19				2019 / 20		
	Balance at 1 April 2018 £'000	Income & Transfers £'000	Expenditure & Transfers £'000	**Balance at 31 Mar 2019 £'000**	Income & Transfers £'000	Expenditure & Transfers £'000	**Balance at 31 Mar 2020 £'000**
General Reserve	(7,668)	(252)	25	**(7,895)**	0	0	**(7,895)**
Capital Reserve	(150)	0	0	**(150)**	0	100	**(50)**
Earmarked Reserves							
Renewal and Repairs Reserve	(1,628)	(508)	806	**(1,330)**	(508)	874	**(963)**
Risk Management Reserve	(330)	0	15	**(315)**	0	15	**(300)**
Information Technology Reserve	(152)	(214)	311	**(55)**	(214)	239	**(31)**
On-Street Car Parking Surplus Reserve	(40)	0	40	**0**	0	0	**0**
Section 106 Revenue Reserve	(507)	0	0	**(507)**	0	17	**(490)**
VAT Reserve	(252)	0	252	**0**	0	0	**0**
Government Grant Reserve	(702)	0	114	**(588)**	0	94	**(494)**
Monuments in Perpetuity	(47)	0	5	**(42)**	0	5	**(37)**
Ore Valley Reserve	(250)	0	0	**(250)**	0	0	**(250)**
Resilience and Stability Reserve	(600)	0	0	**(600)**	0	0	**(600)**
Transition Reserve	(1,824)	0	547	**(1,277)**	0	1,096	**(181)**
Redundancy Reserve	(648)	0	75	**(573)**	0	225	**(348)**
Community Safety Reserve	(350)	0	100	**(250)**	0	250	**0**
Economic Development Reserve	(501)	0	100	**(401)**	0	401	**0**
Registration of Electors - IER Grant	(19)	0	19	**0**	0	0	**0**
Safer Hastings Partnership	(72)	0	0	**(72)**	0	0	**(72)**
Disabled Facilities Grant	(925)	(1,882)	1,882	**(925)**	(1,680)	1,500	**(1,105)**
First World War Project	(12)	0	0	**(12)**	0	0	**(12)**
Invest to Save and Efficiency Reserve	(420)	0	149	**(271)**	0	250	**(21)**
Clinical Commissioning Group	(586)	0	0	**(586)**	0	0	**(586)**
Carry-forward Reserve	(159)	0	159	**0**	0	0	**0**
Selective Licensing Reserve	0	(165)	0	**(165)**	(3)	0	**(168)**
Revenue Hardship Fund	(80)	0	0	**(80)**	0	0	**(80)**
Syrian Refugee Resettlement Programme	(21)	0	0	**(21)**	0	0	**(21)**
Housing Licensing Reserve	(6)	(152)	0	**(158)**	(19)	0	**(177)**
Community Housing Fund	(94)	0	94	**0**	0	0	**0**
	(18,042)	**(3,173)**	**4,693**	**(16,522)**	**(2,424)**	**5,065**	**(13,881)**

EXPENDITURE FUNDED BY USE OF RESERVES

(expenditure & transfers) / Income & transfers	Cost Centre / Account	2018-19 Original £	2018-19 Revised £	2019-20 Estimate £
General Reserve	Q1012			
General reserve Saving to/(Use of)		0	(25,000)	0
Total		0	(25,000)	0
Transfers between Reserves				
VAT Reserve to General Reserve		0	(252,000)	0
Bathing Water Reserve Transfer to General Reserve		0	0	0
Coastal Communities Grant Reserve to General Reserve		0	0	0
General Reserve to Community Housing Fund		0	0	0
Government Grant Reserve to General Reserve		0	0	0
		0	(252,000)	0
Carry forward Reserve	Q1004			
Carried forward		0	(158,624)	0
		0	(158,624)	0
Capital Reserve	Q1017			
2016 - 950th Anniversary (£330k in total over 3 years)		0	0	0
Various Capital Expenditure to be Financed				
CPO - Empty Homes Strategy -capital		(60,000)	0	(100,000)
		(70,000)	0	(100,000)
Disabled Facilities Grant	Q1008			
Disabled Facilities Grant - Salaries		(60,000)	(60,000)	(60,000)
Disabled Facilities Grant - Capital		(1,440,000)	(1,822,291)	(1,440,000)
		(1,500,000)	(1,882,291)	(1,500,000)
VAT reserve	Q1035			
		(207,000)	0	0
		(207,000)	0	0
Economic Development Reserve	Q1009			
General Fund		(100,000)	(100,000)	(401,000)
		(100,000)	(100,000)	(401,000)
Community Safety Reserve	Q1006			
General Fund		(100,000)	(100,000)	(250,000)
		(100,000)	(100,000)	(250,000)
Renewal & Repairs Reserve	Q1026			
(per programme of works - Appendix J)		(626,500)	(757,470)	(774,100)
Capital		(45,280)	0	0
Vehicles		0	0	0
Contingency		(200,000)	(49,000)	(100,000)
		(871,780)	(806,470)	(874,100)
Transition Reserve	Q1034			
Transfer to General Fund		(838,763)	(547,194)	(1,095,553)
Resilience and Stability Reserve	Q1031	0	0	0
Information Technology Reserve	Q1013			
(per programme of works - Appendix I)		(310,750)	(310,750)	(238,750)
		(310,750)	(310,750)	(238,750)
Invest to Save & Efficiency Reserve	Q1015			
Transfer to General Fund		(173,662)	(149,282)	(250,000)
Transfer to Capital Reserve		0	0	0
		(173,662)	(149,282)	(250,000)
Redundancy Reserve	Q1024			
Transfer to General Fund		(225,000)	(75,000)	(225,000)
		(225,000)	(75,000)	(225,000)

Earmarked Reserves	Cost Centre	2018-19 Original	2018-19 Revised	2019-20 Estimate
Government Grant Reserve	Various	£	£	£
capital				
(further details - Appendix F)		(61,000)	(114,000)	(94,000)
		(61,000)	(114,000)	(94,000)
Monuments in Perpetuity	Q1023			
capital				
Revenue	20303	(5,000)	(5,000)	(5,000)
		(5,000)	(5,000)	(5,000)
S106 Reserve	Q1029			
Capital		(48,000)	0	(7,000)
Revenue	Various	(44,100)	0	(10,000)
		(92,100)	0	(17,000)
On-Street Car Parking Surplus Reserve	Q1003			
Bus Shelter improvements	20148	0		0
Havelock Road Crossing	20292	(40,000)	(40,000)	0
		(40,000)	(40,000)	0
Risk Management Reserve	Q1014			
Risk Management Schemes	20135	(20,000)	(15,000)	(15,000)
		(20,000)	(15,000)	(15,000)
Registration of Electors	Q1025			
IER Grant		0	(18,600)	0
		0	(18,600)	0
Clinical Commissioning Group	Q1020			
Housing NHS CCG		0	0	0
Lets Get Moving		0	0	0
		0	0	0
Selective Licensing	Q9999			
Selective Licensing surplus / deficit	20195	0	0	0
		0	0	0
First World War Reserve	Q1010	0	0	0
		0	0	0
Syrian Refugee Resettlement Programme		0	0	0
		0	0	0
Community Housing Fund	Q1037			
Housing Administration		0	(94,000)	0
		0	(94,000)	0
Total use of earmarked and capital reserves *	A	(4,615,055)	(4,441,211)	(5,065,403)
Revenue use of earmarked reserves		(1,776,012)	(1,871,726)	(1,771,850)
Transfers between Reserves		0	252,000	0
Capital use of earmarked reserves		(1,800,280)	(1,822,291)	(1,547,000)
Transition Reserve and Com / Econ Reserve		(1,038,763)	(747,194)	(1,746,553)
Total Expenditure & Transfers (Excl General Reserve Use)	B	(4,615,055)	(4,189,211)	(5,065,403)

INFORMATION TECHNOLOGY RESERVE Appendix I

	2018-19 Original £'000	2018-19 Revised £'000	2019-20 ESTIMATE £'000	2020-21 ESTIMATE £'000	2021-22 ESTIMATE £'000
OPENING BALANCE :					
BALANCE B/FWD. AT 1 APRIL	**(152)**	**(152)**	**(55)**	**(31)**	**(31)**
EXPENDITURE :					
GOVCONNECT	9	9	9	9	9
MICROSOFT LICENSING FOR TEST ENVIRONMENT	15	15	0	0	0
RESILIENCE IMPROVMENTS	10	10	10	10	10
ANTI VIRUS	0	0	25	0	0
SCANNING AND ARCHIVING PHASE 2	20	20	0	0	0
EMAIL ARCHIVING	20	20	0	0	0
SERVICE REVIEW EFFICIENCY PROJECTS	80	80	80	80	80
PC HARDWARE AND SOFTWARE	115	98	115	115	115
TERMINAL SERVER FARM REFRESH	15	15	0	0	0
EXCHANGE SERVER REFRESH	15	15	0	0	0
TWO FACTOR AUTHENTICATION REFRESH	12	12	0	0	0
TABLETS FOR COUNCILLORS	0	17	0	0	0
	311	**311**	**239**	**214**	**214**
INCOME :					
CONTRIBUTIONS TO RESERVE - FROM GENERAL FUND	**(214)**	**(214)**	**(214)**	**(214)**	**(214)**
ADDITONAL CONTRIBUTIONS TO RESERVE - FROM GENERAL FUND	**0**	**0**	**0**	**0**	**0**
CLOSING BALANCE :					
BALANCE IN-HAND C/FWD. AT 31 MARCH	**(55)**	**(55)**	**(31)**	**(31)**	**(31)**

RENEWAL AND REPAIRS RESERVE

APPENDIX J

2017-18 Actual £		2018-19 ORIGINAL BUDGET £	2018-19 REVISED BUDGET £	2019-20 ESTIMATED BUDGET £
	OPENING BALANCE:			
1,748,438	BALANCE BROUGHT FORWARD	**1,491,958**	**1,627,865**	**1,329,395**
	INCOME:			
508,000	CONTRIBUTIONS TO RESERVE - GENERAL	**508,000**	**508,000**	**508,000**
508,000		**508,000**	**508,000**	**508,000**
	EXPENDITURE:			
628,573	PROGRAMMED REPAIRS AND REDECORATIONS	**213,500**	**211,670**	**265,500**
	OTHER REPAIRS & RENEWALS	**413,000**	**545,800**	**508,600**
628,573	SUB TOTAL	**626,500**	**757,470**	**774,100**
0	CAPITAL EXPENDITURE FUNDED FROM RESERVES	**45,280**	**0**	**0**
0	VEHICLES	**0**	**0**	**0**
0	PROVISION FOR UNEXPECTED ITEMS	**200,000**	**49,000**	**100,000**
628,573		**871,780**	**806,470**	**874,100**
	CLOSING BALANCE:			
1,627,865	BALANCE CARRIED FORWARD	**1,128,178**	**1,329,395**	**963,295**

PROGRAMMED REPAIRS AND REDECORATIONS FINANCED BY THE RENEWAL AND REPAIRS RESERVE

Cost Centre	Reference	PROPERTY	DESCRIPTION OF WORK	2018-2019 ORIGINAL BUDGET PLUS C/F	2018-2019 REVISED BUDGET	2019-2020 ESTIMATE £	2020-2021 ESTIMATE £	2021-2022 ESTIMATE £
20116	PR001	TOWN HALL	Isolated internal / external redecs & repairs. MEWP high level stonework H&S inspection	30,000	10,670	20,000	30,000	30,000
20118	PR047 (OR216)	ALL BUILDINGS - ASBESTOS	Asbestos surveys and re-inspections	2,000	2,000	2,000	2,000	2,000
20118	PR048	ALL BUILDINGS - ASBESTOS	Works arising out of asbestos inspections	1,000	1,000	1,000	1,000	1,000
20118	PR049 (OR217)	ALL BUILDINGS - FIRE RISK	Fire risk assessments & works arising	12,000	12,000	6,000	6,000	6,000
20118	PR051 (OR238	ALL BUILDINGS - AIR CONDITIONING	AC energy efficiency certification (every 3 years)	4,000	4,000	4,000	4,000	4,000
20118	PR52 (OR239)	ALL BUILDINGS - ENERGY CERTIFICATION	Annual Display Energy Certs for major bldgs	1,000	1,000	1,000	1,000	1,000
20118	PR54 (OR240)	ALL BUILDINGS - LEGIONELLA RISK	Automated checks & monitoring inc hygiene assess	25,000	25,000	30,000	40,000	40,000
20118	PR55 (OR225)	ALL BUILDINGS - ELECTRICAL TESTING	routine cyclical testing & works arising	13,000	13,000	6,000	6,000	6,000
20118	PR57 (OR241)	ALL BUILDINGS - SAFETY ANCHORS	Annual testing of access safety anchors	2,500	2,500	2,000	2,000	2,000
20118	PR58 (OR242)	ALL BUILDINGS - AUTOMATIC DOORS	Annual maintenance routine	500	500	500	500	500
20132	PR008	BANK BUILDINGS	External redecs to rear elevation	2,000	2,000	0	0	0
20131	PR009	MICRO UNIT FACTORIES	External redecs	0	0	0	5,000	5,000
20131	PR037	FACTORY UNITS	External redecs/roof repairs to empty units	30,000	30,000	30,000	30,000	30,000
20132	PR036	FAIRLIGHT PLACE FARM COTTAGES	External redecs.	8,000	8,000	0	0	0
20132	PR041	OTHER BUILDINGS (ESTATES MISC.)	Essential upgrades/repairs.	10,000	10,000	10,000	10,000	10,000
20245	PR023	WEST HILL CLIFF RAILWAYS	Redecorations & repairs	5,000	5,000	5,000	5,000	5,000
20245	PR024	EAST HILL CLIFF RAILWAYS	Redecorations & repairs	5,000	5,000	5,000	5,000	5,000
20258	PR034	FALAISE FITNESS CENTRE	External redecorations.	0	0	0	25,000	0
20303	PR013	CREMATORIUM	Internal / External redecorations. Main GF offices	5,000	5,000	0	5,000	0

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

Cost Centre	Reference	PROPERTY	DESCRIPTION OF WORK	2018-2019 ORIGINAL BUDGET PLUS C/F	2018-2019 REVISED BUDGET	2019-2020 ESTIMATE £	2020-2021 ESTIMATE £	2021-2022 ESTIMATE £
20303	PR014	CREMATORIUM - CREMATOR FT2	Rehearthing & rebricking of cremator FT2	10,000	0	46,000	0	7,000
20303	PR014	CREMATORIUM - CREMATOR FT3	Rebricking / rehearthing of cremator FT3	0	0	47,000	0	8,000
20303	PR52	CEMETERY	Path health & safety repairs	8,000	8,000	7,000	8,000	8,000
20310	PR52	PARKS	Path health & safety repairs	12,000	12,000	10,000	12,000	12,000
20250	OR210	FRONT LINE	Concrete health & safety inspection & testing	6,000	6,000	6,000	6,000	6,000
20250	OR255	FRONT LINE	Concrete health & safety repair works	5,000	13,000	5,000	5,000	5,000
20250	PR025	FRONT LINE	Alcoves, seating, bottle alley - repairs/redecs	9,000	9,000	9,000	900	900
20252	PR029	FISHERMENS MUSEUM	External redecs/stonework pointing	0	0	0	2,000	0
20259	PR033	SUMMERFIELDS SPORTS CENTRE	External redecs	0	0	0	6,000	6,000
20310	PR026	SPORTS PAVILIONS	Int/ext redecs.	8,000	8,000	8,000	10,000	10,000
20310	PR044	ALEXANDRA PARK RAILINGS	Phased railing redecorations	5,000	5,000	5,000	5,000	5,000
20310	PR046	ST. LEONARDS GARDENS	Lodge - re-decorations	10,000	10,000	0	0	0
20313	PR027	HASTINGS COUNTRY PARK - OPERATIONAL BUILDINGS	Int/ext redecs.	2,000	2,000	0	0	0
20313	PR028	HASTINGS C P - VISITOR CENTRE	Int/ext redecs.	0	0	0	4,000	0
20306	PR030	HASTINGS STATION - FISHING BOAT FEATURE	Repairs / redecs	2,000	2,000	0	2,000	0
20306	PR031	TOWN CENTRE UNDERPASS	Decoration	0	0	0	2,000	0
		Total of Programmed work		**233,000**	**211,670**	**265,500**	**240,400**	**215,400**

OTHER REPAIRS AND REDECORATIONS FINANCED BY THE RENEWAL AND REPAIRS RESERVE

Cost Centre	Reference	PROPERTY	DESCRIPTION OF WORK	2018-2019 ORIGINAL BUDGET PLUS C/F £	2018-2019 REVISED BUDGET £	2019-2020 ESTIMATE £	2020-2021 ESTIMATE £	2021-2022 ESTIMATE £
20287	OR307	CARLISLE CP	Redecorations	67,000	76,000	0	0	0
20131	OR304	THEAKLEN DRIVE ROOFS	Single ply over-roofing of existing worn out membrane	0	0	70,000	0	0
20245	OR247	EAST HILL LIFT LOWER STATION	Roof replacement	0	0	0	0	30,000
20249	OR250	WHITE ROCK THEATRE	General repair contributions	20,000	20,000	15,000	20,000	20,000
20249	OR251	WHITE ROCK THEATRE	Contribution to large plant / boiler replacement	0	0	0	0	100,000
20310	OR231	CLIFF REPAIR SURVEY	Biennial or Sexennial survey	8,000	6,900	0	8,000	0
20313	OR211	HASTINGS COUNTRY PARK - TACKLEWAY WALL	Health & safety repairs and repointing	0	0	0	1,000	1,000
20310	OR320	RECREATIONAL GROUNDS	Emergency lighting upgrade	0	0	11,000	0	0
20259	OR326	INDOOR BOWLS CENTRE	DDA works	50,000	25,000	25,000	0	0
20150	OR328	STREET LIGHTS	White Rock Promenade Improvements	14,500	14,500	0	0	0
20259	OR331	SUMMERFIELDS LEISURE CENTRE	Landlord obligation - progressive replacement of existing swimming pool filtration plant	3,000	3,000	0	0	0
20259	OR332	SUMMERFIELDS LEISURE CENTRE	Installation of UV water hygiene treatment, if req'd and justified by FL due to alterations to regulations.	0	0	0	5,000	0
20258	OR333	FALAISE FITNESS CENTRE	Improvements to ventilation of gymnasium	30,000	30,000	0	0	0
20251	OR334	JOHNS PLACE MUSEUM	Essential stoneworks repairs to interior of window openings	3,900	3,900	0	10,000	0
20132	OR336	3 PLACE FARM COTTAGES, FAIRLIGHT	Repointing external walls (Energy efficiency measures no longer needed.	8,000	8,000	3,000	0	0
20259	OR337	INDOOR BOWLS CENTRE	External Works (Ramp and Entrance Lobby)	5,000	0	0	0	0
20310	OR339	CLIFFS	Cliff Repairs arising from engineer's inspections	125,000	125,000	20,000	50,000	50,000
20117	OR340	MURIEL MATTERS HOUSE REPLACEMENT RISING MAIN	Replacement of existing rising main in rear of building to avoid further flooding issues	20,000	0	20,000	0	0
20117	OR342	MURIEL MATTERS HOUSE - PASSENGER LIFTS	Heavy duty door closing mechanisms	0	0	0	5,000	0
20245	OR344	WEST HILL LIFT - RETAINING WALL REPAIRS	Repairs to bulging brickwork retaining wall to east of rails	7,000	20,000	0	0	0

OTHER REPAIRS AND REDECORATIONS FINANCED BY THE RENEWAL AND REPAIRS RESERVE

Appendix J (continued)

Cost Centre	Reference	PROPERTY	DESCRIPTION OF WORK	2018-2019 ORIGINAL BUDGET PLUS C/F £	2018-2019 REVISED BUDGET £	2019-2020 ESTIMATE £	2020-2021 ESTIMATE £	2021-2022 ESTIMATE £
20245	OR345	WEST HILL LIFT OLD MOTOR ROOM - STRUCTURAL REPAIRS	Provision of permanent support works to café floor and external area.	2,000	2,000	18,000	0	0
20245	OR347	WEST HILL LIFT - ATTENDANT'S & STORE AREAS	Works to patio waterproofing to prevent water ingress	0	0	18,000	0	0
20250	OR348	PROMENADE SURFACING	Further tarmac repairs to worst areas	20,000	20,000	20,000	50,000	50,000
20310	OR352	ALEX PARK BUCKSHOLE RESERVOIR	channel sides. Impact of dam breaching and other study.	25,000	43,000	0	0	0
20310	OR354	PRICILLA McBEAN SANDSTONE WALLING	Repoint walling	3,000	3,000	0	0	0
20310	OR358	SANDHURST RECREATION GROUND	Replace roadside fencing	8,000	8,000	0	0	0
20310	OR360	ALEX PARK HARMERS RESERVOIR OUTFALL	Remove or cap disused outfall tower, fill tunnel and wing walls to make safe.	25,000	25,000	0	0	0
20313	OR362	HCP PLACE FARM FARM YARD	Roadway resurfacing of farmyard	0	0	10,000	0	0
20310	OR364	BEXHILL REC WEST	Internal redecoration	0	0	0	10,000	0
20117	OR365	MURIEL MATTERS HOUSE	Lightning Protection	25,000	50,000	0	0	0
20251	OR370	JOHNS PLACE MUSEUM	Interior works to extension roof light	4,000	2,000	0	0	0
20310	OR366	ST LEONARDS GARDENS	Possible remedial works to sewer / drain	7,500	7,500	0	0	0
20132	OR367	ESTATES - EPC UPGRADES	Town Hall Offices, Old Town Hall and Ore Valley Adventure Playground	13,000	13,000	0	0	0
20251	OR370	HASTINGS MUSEUM - PUBLIC LIFTS	Replace lift hydraulic ram	8,000	8,000	0	0	0
20251	OR371	HASTINGS MUSEUM - LIGHTING	Provide LED lighting	0	0	0	40,000	0
20116	OR372	TOWN HALL LED LIGHTING	Provide new LED lighting	0	0	0	0	30,000
20245	OR373	WEST HILL LIFT - WEST HILL ARCADE GDN	Brickworks repairs	12,000	12,000	0	0	0
20245	OR374	WEST HILL LIFT - ENTRANCE ROOF	Replace railings with galv. steel railings	0	0	0	5,000	0
20132	OR376	ESTATES - EPC UPGRADES	Alex Park Depot work shop, office	0	0	15,000	0	0
20250	OR378	FORESHORE - FORMER LIFEGUARD STORE	Concrete repairs to prom slab	0	0	20,000	0	0

OTHER REPAIRS AND REDECORATIONS FINANCED BY THE RENEWAL AND REPAIRS RESERVE **Appendix J (continued)**

Cost Centre	Reference	PROPERTY	DESCRIPTION OF WORK	2018-2019 ORIGINAL BUDGET PLUS C/F £	2018-2019 REVISED BUDGET £	2019-2020 ESTIMATE £	2020-2021 ESTIMATE £	2021-2022 ESTIMATE £
20132	OR379	ESTATES - INDUSTRIAL ESTATE SIGNAGE	Renew road and welcome signs	0	0	5,000	0	0
20287	OR380	PRIORY STREET MSCP	Structural Survey / Concrete Testing	20,000	20,000	0	0	0
20303	OR381	CEMETERY	Clear Trees for burial spaces	0	0	20,000	0	0
20310	OR384	ALEXANDRA PARK	Harmers Knee rail H&S	0	0	2,000	0	0
20310	OR385	ALEXANDRA PARK	Information Shelter lower decoration	0	0	0	2,000	0
20313	OR386	HASTINGS COUNTRY PARK	Farm Yard - levels phase 2	0	0	7,000	0	0
20313	OR389	HASTINGS COUNTRY PARK	Gloucester Cottage Wall	0	0	0	0	0
20310	OR390	OLD ROAR GILL	Bridge 2 repairs , replace, dredge/de-silt	0	0	4,000	0	0
20310	OR391	OLD ROAR GILL	Re fence , edge by ROW	0	0	4,000	0	0
20310	OR392	ALEXANDRA PARK	Lower Stream Culvert Wall	0	0	0	4,000	0
20310	OR393	ST CLEMENTS CHURCH	Churchyard Wall	0	0	0	0	0
20310	OR394	SUMMERFIELDS WOODS	Folly Protection	0	0	3,600	0	0
20310	OR395	WHITE ROCK GARDENS	Demolition of old toilet block	0	0	0	8,000	0
20132	OR399	PELHAM ARCADE	Replace lead guttering with zinc	0	0	25,000	0	0
20132	OR400	OLD TOWN HALL	Replace lead guttering with zinc	0	0	30,000	0	0
20132	OR401	OLD TOWN HALL	Heating upgrade to improve EPC rating	0	0	10,000	0	0
20131	OR402	30/31 CASTLEHAM ROAD CAR PARK		0	0	0	100,000	0
20131	OR403	CBCW MAIN ROOF	Over-roofing of profiled metal roof	0	0	0	0	150,000
20245	OR405	EAST HILL CLIFF RAILWAY - UPPER STATION	Pedestrian paths resurfacing - deterioration of existing patched up surface creating trip hazards	0	0	0	10,000	0
20250	OR406	WHITE ROCK PROMENADE	Removal of remaining vestigial cycle lane markings opposite Robertson Street.	0	0	1,000	0	0

OTHER REPAIRS AND REDECORATIONS FINANCED BY THE RENEWAL AND REPAIRS RESERVE

Appendix J (continued)

Cost Centre	Reference	PROPERTY	DESCRIPTION OF WORK	2018-2019 ORIGINAL BUDGET PLUS C/F £	2018-2019 REVISED BUDGET £	2019-2020 ESTIMATE £	2020-2021 ESTIMATE £	2021-2022 ESTIMATE £
20303	OR409	CEMETERY OFFICE	New wireless fire alarm system	0	0	7,000	0	0
20303	OR410	CEMETERY CHAPEL	Front window and stone reveal repairs	0	0	0	20,000	0
20313	OR411	HASTINGS COUNTRY PARK	Surface dressing to Coastguard Lane tarmac/asphalt path surfacing	0	0	0	25,000	0
20246	OR412	HASTINGS CASTLE	Curtain wall consolidation following emergency stabilisation works	0	0	25,000	0	0
20251	OR413	HASTINGS MUSEUM & ART GALLERY	Works to improve security following report	0	0	20,000	0	0
20148	OR414	BUS SHELTERS	New annual survey, maintenance & replacement programme	0	0	0	10,000	10,000
20245	OR415	WEST HILL CLIFF RAILWAY	Brick repairs following tunnel survey.	0	0	10,000	0	0
20259	OR416	SUMMERFIELDS LEISURE CENTRE	Re-tiling of edge of pool	0	0	70,000	0	0
		Total of Other Work		**533,900**	**545,800**	**508,600**	**383,000**	**441,000**

PIER Outcomes **Appendix K**

	Cost centre	Revised 2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000
Income Strategy					
Housing Company (net contribution)	Various	0	(80)	(191)	(263)
Commercial Property (Net of borrowing Costs)	Various	0	(60)	(214)	(225)
Energy (Net of borrowing Costs)	Various	0	(8)	(8)	(48)
Total Income Strategy	**Sub-total**	**0**	**(148)**	**(413)**	**(536)**
Other					
Council Tax - Empty Homes premium (200%)	Collection Fund	0	(10)	(10)	(10)
Increased Investment Interest	Various	0	(60)	(60)	(60)
Contingency budget	20164	0	(100)	(100)	(100)
Street cleansing service	20295	0	(131)	(143)	(143)
Planning Policy - combination of AAP with LPR	20211	(46)	(63)	0	0
CCTV - Reduction in monitoring hours	20290	0	(30)	(30)	(30)
Parking Services - Administration and virtual permits	20287 / 20288	0	(13)	(13)	(13)
Environmental Health - Efficiencies from back office system	20169	0	(3)	(4)	(4)
Environmental Protection - Removal of contingency budget	20279	0	(7)	(7)	(7)
Parks and Open Spaces - Grounds maintenance	20310	0	(95)	(102)	(102)
Ranger Services - Staff and vehicles	20310	0	(40)	(40)	(40)
Community Safety - Stop funding to bar/shop watch	20299	0	(6)	(6)	(6)
HR Payroll - System/software	20120 / 20121	0	(22)	(22)	(22)
Business Support - Staff saving from rollout of hybrid mail	20120 / 20121	0	(9)	(9)	(9)
Business Support - Increased usage of e-learning suite	20111	0	(10)	(15)	(15)
Business Support - Publications	20111	0	(6)	(6)	(6)
Estates - Maintenance expenditure (St Mary in the Castle)	20104	0	(10)	(10)	(10)
Consultation – Use digital approach	20146	0	(9)	(9)	(9)
Community Contact Centre - Channel shift	20113	0	(23)	(46)	(69)
Legal Services - Admin post	20106	0	(24)	(24)	(24)
Elections - New ways of working	20103	0	(6)	(6)	(6)
Revenues and Benefits - Staff savings	Various	0	(101)	(251)	(291)
Town Centre Management - Cease BID work	20166	0	(9)	(9)	(9)
Regeneration and Economic Development - Staff saving	20208	0	(40)	(40)	(40)
Regeneration - Supplies and services savings	20177	0	(6)	(6)	(6)
Community Cohesion - Grant funding	20215	0	(5)	(5)	(5)
Community Cohesion - Reduce Compliance Officer post	20215	0	0	(15)	(15)
Community Partnership Fund - Cease from 2021/22	20219	0	(12)	(20)	(176)
Resorts Services - Resort Admin Officer post	20176	0	(22)	(22)	(22)
Seafront - Reduce premises spend	20250	0	(3)	(3)	(3)
Sports Management - Reduce supplies expenditure	20257	0	(1)	(1)	(1)
Cliff Railway - Staff reduction (change in shifts/rota)	20245	0	(20)	(20)	(20)
Cliff Railway - Equipment and materials savings	20245	0	(2)	(2)	(2)
Leisure - Grants awarded	20175	0	(4)	(4)	(4)
William Parker Sports Track - Contribution ceased	20260	0	(5)	(5)	(5)
Play Development -Cease play days in Alexandra Park	20265	0	(20)	(20)	(20)
Culture - Cultural Regeneration Manager post	20212	0	(64)	(64)	(64)
Cultural Activities - Stade Saturdays	20212	0	(10)	(15)	(25)
Cultural Activities saving	20212	0	(10)	(10)	(10)
Cultural Activities - Music City funding	20212	0	(5)	(5)	(5)
Tourism / Marketing - Salary saving	Various	0	(15)	(15)	(15)
Tourism / Marketing - Refocussing of work	Various	0	(34)	(34)	(34)
Tourism / Marketing - Fish fairs co-ordinators reduced hours	Various	0	(4)	(4)	(4)
Tourism / Marketing - Cease Herring fair	Various	0	(17)	(17)	(17)
Tourism / Marketing - Civic & Ceremonial transport costs	Various	0	(3)	(3)	(3)
Tourism / Marketing - Twinning / Sierra Leone cease	Various	0	(3)	(3)	(3)
Planning - Empty Homes Officer post	20180	0	(35)	(35)	(35)
Planning Enforcement - review/restructure	20180	0	0	(17)	(17)
Housing Options - Staff saving	20172	0	(35)	(35)	(35)
Housing Options - Letstart supplies and services	20172	0	(4)	(4)	(4)
Theatre - Reduced Contribution	20249	0	(116)	(216)	(316)
Other Savings Savings/Income	**Sub-total**	**(46)**	**(1,282)**	**(1,562)**	**(1,891)**
	Total PIER Savings	**(46)**	**(1,430)**	**(1,975)**	**(2,427)**
Growth Items					
Digital by Design - Moving services on-line	20115	0	80	80	0
Corporate IT - Microsoft 10 Windows licencing	20121	0	87	87	87
Bohemia – Staff and specialist work	20208 / 20209	0	66	66	66
Housing Development Officer post (to be capatalised)	20172	0	35	35	35
Legal Services salaries growth	20106	33	79	79	79
Total Growth	**Sub-total**	**33**	**347**	**347**	**267**
Net Overall Savings	**Total**	**(13)**	**(1,083)**	**(1,628)**	**(2,160)**

Appendix K2

Hastings Borough Council Efficiencies, Income, and Savings Proposals for 2019/20 onwards and Equality Impact Assessment

	Efficiency, Income or Savings Proposals & Changes	Savings (£)			Equalities Impact Assessment - Likelihood of negative impact on equalities/protected characteristics Low-Medium-High
		2019/20	2020/21	2021/22	
Contingency budget	Reduction of contingency budget by £100k – contingencies will need to be covered by in-year savings **Staffing implications**: N/A	100,000	100,000	100,000	**Low** – unlikely to impact disproportionately on any equality groups.
Street cleansing service	• Reduction in assumptions about fuel costs • Re-charging accurate costs to FT for beach cleaning • Cost of year 1 process mapping and systems support met from prioritising existing resources **Staffing implications**: N/A	131,000	143,000	143,000	**Low** – unlikely to impact disproportionately on any equality groups.
Planning Policy	1 off saving from Combining the Hastings Town Centre & Bohemia Area Action Plan (AAP) with the Local Plan Review (LPR) **Staffing implications**: N/A	63,000	0	0	**Low** – unlikely to impact disproportionately on any equality groups.
Investment Interest	Additional £2m investment to achieve additional income **Staffing implications**: N/A	60,000	60,000	60,000	**Low** – unlikely to impact disproportionately on any equality groups.
CCTV Reduction	Reduce monitoring hours **Staffing implications:** Reduce by 1.0 FTE	30,000	30,000	30,000	**Low** – unlikely to impact disproportionately on any equality groups.
Parking Services	Streamline administration arrangements and introduction of virtual permits **Staffing implications**: Reduce by 0.5 FTE (post vacant)	13,000	13,000	13,000	**Low** – unlikely to impact disproportionately on any equality groups.
Environmental Health	Efficiencies from back office system **Staffing implications**: N/A	3,000	4,000	4,000	**Low** unlikely to impact disproportionately on any equality groups.
Environmental Protection	Removal of contingency budget **Staffing implications**: N/A	7,000	7,000	7,000	**Low** unlikely to impact disproportionately on any equality groups.
Parks and Open Spaces	Reduce grounds maintenance costs by: prioritising key areas: Alexandra Park, St Leonards Gardens (green flags) and lower part of Warrior Square and Seafront. Reduce non-core expenditure by £50k – thereby reducing ad hoc works. £17k from miscellaneous supplies and services codes **Staffing implications**: N/A	95,000	102,000	102,000	**Low** unlikely to impact disproportionately on any equality groups.
Ranger Services	Reduce the Ranger service from 3 to 2 and dispose of some of the Ranger vehicles **Staffing implications:** Reduce by 1.0 FTE	40,000	40,000	40,000	**Low** unlikely to impact disproportionately on any equality groups.

Hastings Borough Council Efficiencies, Income, and Savings Proposals for 2019/20 onwards and Equality Impact Assessment

	Efficiency, Income or Savings Proposals & Changes	Savings (£)			Equalities Impact Assessment - Likelihood of negative impact on equalities/protected characteristics Low-Medium-High
		2019/20	2020/21	2021/22	
Community Safety	Stop funding to bar/shop watch **Staffing implications**: N/A	6,000	6,000	6,000	**Low** unlikely to impact disproportionately on any equality groups.
HR Payroll	System savings from move to new ERP system **Staffing implications**: N/A	22,000	22,000	22,000	**Low** – unlikely to impact disproportionately on any equality groups.
Business Support	Staff saving following rollout of hybrid mail **Staffing implications**: Reduce by 0.5 FTE	9,000	9,000	9,000	**Low** – unlikely to impact disproportionately on any equality groups.
Business Support	Reduction to training budget due to increased usage of e-learning suite of training packages **Staffing implications**: N/A	10,000	15,000	15,000	**Low** – unlikely to impact disproportionately on any equality groups.
Business Support	Reduce budget for publication resources **Staffing implications**: N/A	6,000	6,000	6,000	**Low** unlikely to impact disproportionately on any equality groups.
Estates	Maintenance expenditure - St Mary in the Castle liabilities **Staffing implications**: N/A	10,000	10,000	10,000	**Low** unlikely to impact disproportionately on any equality groups.
Consultation	Remove corporate consultation budget – use digital approach **Staffing implications**: N/A	9,000	9,000	9,000	**Low** – unlikely to impact disproportionately on any equality groups – this budget was primarily used for large scale surveys. For corporate consultations (e.g. Corporate Plan) we will continue to use our digital approach, supplemented by hard copies in CCC and via voluntary and community groups.
Community Contact Centre	Channel shift to on-line contact channels **Staffing implications:** Reduce by 1.0 FTE each year. 2019/20 saving from vacant post	23,000	46,000	69,000	**Low** unlikely to impact disproportionately on any equality groups as support will remain and be targeted at most venerable residents.
Legal Services	Loss of 1 admin post in 19/20 - Saving used to partly offset growth of £79k in 18/19. **Staffing implications:** Reduce by 1.0 FTE	24,000	24,000	24,000	**Low** – unlikely to impact disproportionately on any equality groups.
Elections	Efficiency savings from systems and new ways of working **Staffing implications**: N/A	6000	6,000	6,000	**Low** – unlikely to impact disproportionately on any equality groups.
Revenues and Benefits	Staff reductions in line with transition to Universal Credit and implementation of new technology enabling self-service for more customers (Admin establishment is 2.5FTE, 0.5FTE is currently vacant) **Staffing implications**: 2019/20 = 1.5 FTE admin posts and 1 FTE assessor post. 2020/21 = 1 FTE manager's post and 2 assessors.	101,000	251,000	291,000	**Low** unlikely to impact disproportionately on any equality groups as support remains for those who cannot access on-line without assistance
Town Centre Management	Cease Business Improvement District work **Staffing implications**: N/A	9,000	9,000	9,000	**Low** unlikely to impact disproportionately on any equality groups.

Hastings Borough Council Efficiencies, Income, and Savings Proposals for 2019/20 onwards and Equality Impact Assessment

	Efficiency, Income or Savings Proposals & Changes	Savings (£)			Equalities Impact Assessment - Likelihood of negative impact on equalities/protected characteristics Low-Medium-High
		2019/20	2020/21	2021/22	
Regeneration and Economic Development	Reduce Economic Development Officer by 10 hours p.w (stopping BID and Town Team support work) Delete Regeneration Officer post (post-holder on fixed term contract to 31.3.19) **Staffing implications**: Reduce by 1.1 FTE	40,000	40,000	40,000	**Low** unlikely to impact disproportionately on any equality groups.
Regeneration	Supplies and services savings **Staffing implications**: N/A	6,000	6,000	6,000	**Low** – unlikely to impact disproportionately on any equality groups.
Community Cohesion	Cease grant to St Leonards town centre. **Staffing implications**: N/A	5,000	5,000	5,000	**Low** – unlikely to impact disproportionately on any equality groups.
Community Cohesion	Reduce Compliance Officer post – in line with changes to CPF funding **Staffing implications**: Reduce by 0.5 FTE in 2020/21	0	15,000	15,000	**Low** – unlikely to impact disproportionately on any equality groups.
Community Partnership Fund	Cease from 2021/22 – will be exploring other sources of funding **Staffing implications**: N/A	12,000	20,000	176,000	**High** – The Council will however explore options for alternative funding sources together with other key funders.
Resorts Services	Cease Resort Admin Officer post following move of processes on-line **Staffing implications:** Reduce by 0.8 FTE	22,000	22,000	22,000	**Low** – unlikely to impact disproportionately on any equality groups.
Seafront	Reduce premises spend **Staffing implications**: N/A	3,000	3,000	3,000	**Low** – unlikely to impact disproportionately on any equality groups.
Sports Management	Reduce supplies expenditure **Staffing implications**: N/A	1,000	1,000	1,000	**Low** – unlikely to impact disproportionately on any equality groups.
Cliff Railway	Staff reduction – change in shifts/rota **Staffing implications:** Reduce by 1.4 FTE	20,000	20,000	20,000	**Low** – unlikely to impact disproportionately on any equality groups.
Cliff Railway	Equipment and materials savings **Staffing implications**: N/A	2,000	2,000	2,000	**Low** – unlikely to impact disproportionately on any equality groups.
Leisure	Grants administration **Staffing implications**: N/A	4,000	4,000	4,000	**Low** – unlikely to impact disproportionately on any equality groups.
William Parker Sports Track	William Parker Sports Track contribution ceased **Staffing implications**: N/A	5,000	5,000	5,000	**Low** – unlikely to impact disproportionately on any equality groups.
Play Development	Reduction in level of service. Reduced number of play days and use of contracted play development casuals **Staffing implications**: N/A	20,000	20,000	20,000	**High** – this will directly impact on children and families in Hastings as the two events will no longer be held. However our future play activity will be targeted more closely at deprived communities where our very limited resources may be applied more effectively.

Hastings Borough Council Efficiencies, Income, and Savings Proposals for 2019/20 onwards and Equality Impact Assessment

	Efficiency, Income or Savings Proposals & Changes	Savings (£)			Equalities Impact Assessment - Likelihood of negative impact on equalities/protected characteristics Low-Medium-High
		2019/20	2020/21	2021/22	
Culture	Cultural Regeneration Manager post **Staffing implications:** Reduce by 1.0 FTE (post vacant)	64,000	64,000	64,000	**Low** – unlikely to impact disproportionately on any equality groups.
Cultural Activities	Reduce Stade Saturdays **Staffing implications**: N/A	10,000	15,000	25,000	**Low** – unlikely to impact disproportionately on any equality groups.
Cultural Activities	Reduced expenditure - Responsibility for St Leonards Festival transferred to Tourism Marketing. St Leonards Festival to be funded from existing events budget, with some impact on other events funding. **Staffing implications**: N/A	10,000	10,000	10,000	**Low** – unlikely to impact disproportionately on any equality groups.
Cultural Activities	Music City funding **Staffing implications**: N/A	5,000	5,000	5,000	**Low** – unlikely to impact disproportionately on any equality groups.
Tourism / Marketing	Communications & Marketing – Following changes to our marketing approach reduce marketing post. Remaining 0.4 work undertaken by officer returning from maternity leave. **Staffing implications:** Reduce by 0.6 FTE	15,000	15,000	15,000	**Low** – unlikely to impact disproportionately on any equality groups.
Tourism / Marketing	Eliminate residual dedicated Hastings-only tourism activity, focussing all work through 1066 Country (which will retain a strong Hastings element). **Staffing implications:** Reduce by 0.2 FTE	34,000	34,000	34,000	**Low** – unlikely to impact disproportionately on any equality groups.
Tourism / Marketing	Fish fairs co-ordinators post hours reduction 0.7 FTE to 0.5 FTE = (ceasing Herring Fair) **Staffing implications:** Reduce by 0.2 FTE	4,000	4,000	4,000	**Low** – unlikely to impact disproportionately on any equality groups.
Tourism / Marketing	Cease Herring fair **Staffing implications**: N/A	17,000	17,000	17,000	**Low** – unlikely to impact disproportionately on any equality groups.
Tourism / Marketing	Civic & Ceremonial Expenses - Transport saving **Staffing implications**: N/A	3,000	3,000	3,000	**Low** – unlikely to impact disproportionately on any equality groups.
Tourism / Marketing	Twinning / Sierra Leone - cease **Staffing implications**: N/A	3,000	3,000	3,000	**Low** – unlikely to impact disproportionately on any equality groups.
Planning	Empty Homes Officer post **Staffing implications:** Reduce by 1.0 FTE (post vacant)	35,000	35,000	35,000	**Low** – unlikely to impact disproportionately on any equality groups.
Planning	Planning Enforcement review/restructure – anticipated savings 0.5FTE from 2020/21 **Staffing implications:** Reduce by 0.5 FTE in 2020/21	0	17,000	17,000	**Low** – unlikely to impact disproportionately on any equality groups.

Hastings Borough Council Efficiencies, Income, and Savings Proposals for 2019/20 onwards and Equality Impact Assessment

	Efficiency, Income or Savings Proposals & Changes	Savings (£)			Equalities Impact Assessment - Likelihood of negative impact on equalities/protected characteristics Low-Medium-High
		2019/20	2020/21	2021/22	
Housing Options	Housing Options Management Restructure **Staffing implications:** Reduce by 1.0 FTE (post vacant)	35,000	35,000	35,000	**Low** – unlikely to impact disproportionately on any equality groups. Service has been restructured and roles re-aligned.
Housing Options	Housing Options Letstart supplies and services **Staffing implications**: N/A	4,000	4,000	4,000	**Low** – unlikely to impact disproportionately on any equality groups.
Council Tax	Empty homes premium (100% increase, is now 200%) **Staffing implications**: N/A	10,000	10,000	10,000	**Low** – unlikely to impact disproportionately on any equality groups (TBC).
White Rock Theatre	Reduced contribution following Cabinet decision to negotiate terms for the extension of the current contract with HQ Theatres & Hospitality for a period of 5 years **Staffing implications**: N/A	116,000	216,000	316,000	**Low** – unlikely to impact disproportionately on any equality groups.
Total savings/income		**1,282,000**	**1,562,000**	**1,891,000**	

Growth items

Service	Description	Growth (£)			Equalities Impact Assessment - Likelihood of negative impact on equalities/protected characteristics Low-Medium-High
		2019/20	2020/21	2021/22	
Digital by Design – Moving services on-line	Resources required to move remainder of 66 processes on-line within two-years to facilitate further efficiencies **Staffing implications**: Increased by 2.0 FTE	80,000	80,000	0	**Medium** – the transfer of service on-line is understood to need to be managed to ensure that service users who are digitally excluded have alternative means of access. The council is clear that these alternatives will exist via its Community Contact Centre (CCC). There is also a strong argument that for many groups in our community (who are able to access services on-line) this can save time, money and avoid physical access issues as they can avoid calling or visiting the CCC.
Corporate IT	Microsoft 10 Windows licencing **Staffing implications**: N/A	87,000	87,000	87,000	**Low** – unlikely to impact disproportionately on any equality groups
Bohemia – Staff	Feasibility study and new staff required to work on programmes **Staffing implications**: Increased by 1.0 FTE	66,000	66,000	66,000	**Low** – unlikely to impact disproportionately on any equality groups
Housing	Housing Development Officer post **Staffing implications**: Increased by 1.0 FTE	35,000	35,000	35,000	**Low** – unlikely to impact disproportionately on any equality groups as restructure has taken place.
Legal Services	Growth of £79k from 18/19 offset in part by loss of 1 admin post in 19/20 (24k) above **Staffing implications**: Increased by 1.0 FTE	79,000	79,000	79,000	**Low** – unlikely to impact disproportionately on any equality groups

Land and Property Disposal Programme

	Estimated Receipts £
2018/19	
Upper Wilting Farm Shop	
Other	
Less cost of disposal	
Sale of Ex Council Houses	
	1,012,300
2019/20	
Sale of Ex Council Houses	
Other	
	185,000
2020/21	
Sale of Ex Council Houses	
Other	
	185,000
2021/22	
Sale of Ex Council Houses	
Other	
	185,000

Appendix M

Council Tax – Overall

The Council is recommended to resolve as follows:

1 It be noted that the Council has calculated the Council Tax Base 2019/20 for the whole Council area as 25,865 [Item T in the formula is Section 31B of the Local Government Finance Act 1992, as amended (the "Act")]

2 Calculate that the Council Tax requirement for the Council's own purposes for 2019/20 is £6,867,158

3 That the following amounts be calculated for the year 2019/20 in accordance with Sections 31 to 36 of the Act:

(a)	76,429,047	Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils
(b)	69,561,890	Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act
(c)	6,867,158	Being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31B of the Act)
(d)	265.50	Being the amount at 3(c) above (Item R), all divided by Item T (1(a) above), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year
(e)	£0	Being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act
(f)	265.50	Being the amount at 3(d) above less the result given by dividing the amount at 3(e) above by Item T (1(a) above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish precept relates

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

5. That the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts shown in the tables below as the amounts of Council Tax for 2019/20 for each part of its area and for each of the categories of dwellings.

	Valuation Bands							
	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Hastings Borough Council	177.00	206.50	236.00	265.50	324.50	383.50	442.50	531.00
East Sussex County Council (Including Adult Social Care +3%)	956.52	1,115.94	1,275.36	1,434.78	1,753.62	2,072.46	2,391.30	2,869.56
East Sussex Fire Authority	62.46	72.87	83.28	93.69	114.51	135.33	156.15	187.38
Police and Crime Commissioner	126.61	147.71	168.81	189.91	232.11	274.31	316.52	379.82
Aggregate of Council Tax Requirements	1,322.59	1,543.02	1,763.45	1,983.88	2,424.74	2,865.60	3,306.47	3,967.76

6. The Council's basic amount of Council Tax for 2019/20 is not excessive as determined in accordance with principles approved under Section 52ZB Local Government Finance Act 1992. To be deemed excessive the Borough's Council Tax would need to be increased by 3%, or more than 3%, and also more than £5 in 2019/20.

Reference NO.	2017-18 ACTUAL	SERVICE	2018-19 ORIGINAL BUDGET	2018-19 REVISED BUDGET	**2019-20 ESTIMATED OUTTURN**
	£	**SUMMARY OF REVENUE ESTIMATES**	£	£	£
CR1	167,712	20101 (1023) - Director of Corporate Services and Governance	174,880	176,110	**179,380**
CR2	323,511	20102 (1024) - Corp. Policy, Partnerships and Performance	340,150	329,820	**349,060**
CR3	200,414	20103 (1031) - Electoral Services	208,030	210,850	**218,000**
CR4	347,576	20104 (1022) - Estates Services	354,380	366,100	**383,950**
CR5	203,601	20105 (1029) - Building Surveyors	212,260	217,360	**219,680**
CR6	422,437	20106 (1032) - Legal Services	376,230	415,120	**458,360**
CR7	206,912	20107 / 20108 (1051 / 1058) - Audit and Investigations Services	219,990	222,500	**224,130**
CR8	833,348	20109 (1052) - Accountancy Services	945,870	970,780	**982,720**
CR9	2,394,586	20110 (1055) - Revenues Services	2,576,590	2,541,780	**2,560,010**
CR10	591,351	20111 (1020) - People, Customer and Business Support	618,330	646,370	**619,330**
CR11	165,659	20112 (1090) - Corporate Personnel Expenses	203,210	240,070	**187,980**
CR12	837,747	20113 (5712) - Contact Centre	893,630	859,550	**927,930**
CR13	266,989	20115 (1085) - Transformation Team	258,030	248,850	**314,370**
CR14	58,789	20116 (1151) - Admin Buildings - Town Hall	51,430	41,090	**51,420**
CR15	456,728	20117 (1157) - Admin Buildings - Murial Matters House	466,420	517,910	**488,940**
CR16	76,903	20118 (1160) - Admin Buildings - General Expenses	77,960	87,360	**75,870**
CR17	46,369	20119 (1169) - Admin Buildings - Corporate Archive / DSO Operational Building	48,110	52,500	**63,200**
CR18	1,162,982	20120 (1080) - Corporate Expenses	1,261,460	1,310,740	**1,393,170**
CR19	705,854	20121 (1034) - IT	752,600	749,330	**783,040**
CR20	342,680	20122 (5228) - IT Reserve / Hardware	407,580	424,500	**411,670**
CR21	40,178	20123 (5227) - Land & Property Systems-GIS	41,530	43,200	**44,170**
	(9,852,321)	Less recharges to other services	(10,488,670)	(10,671,890)	**(10,936,380)**
	0	Unallocated Balance	0	0	**0**
CR22	2,206,476	20124 (5510) - Corporate Management Expenses	773,800	827,600	**776,880**
CR23	662,056	20125 (5511) - Non Distributed Costs	713,280	713,330	**767,350**
CR24	612,024	20126 / 20127 / 20128 (4200 / 4250 / 5900) - Benefit Payments	1,569,200	1,275,920	**1,288,640**
CR25	638,749	20129 (5950) - Council Tax and Business Rates Collection	557,820	678,180	**684,610**
CR26	(340,926)	20130 (2101) - Employment Areas	(347,480)	(350,940)	**(349,480)**
CR27	(1,289,975)	20131 (2201) - Factory Units	(1,263,690)	(1,205,430)	**(1,175,630)**
CR28	(1,874,503)	20132 (2404) - Farms and Other Properties	(2,718,380)	(2,303,100)	**(2,730,270)**
CR29	10,743	20133 (2602) - St Mary in the Castle	26,740	26,860	**16,920**
CR30	358,575	20135 (5299) - Other Expenditure	614,220	276,000	**576,000**
CR31	201,606	20136 / 20137 (1200 / 1205) - Registration of Electors	205,330	210,280	**211,750**
CR32	825,112	20138 (5501) - Cost of Democracy	871,350	861,770	**893,300**
CR33	128,339	20139 / 20140 (5503 / 5505) - Election Expenses	221,360	230,840	**126,970**
CR34	25,331	20144 (5224) - Local Strategic Partnership	26,630	25,820	**27,330**
CR35	34,875	20145 (3405) - Sustainable Energy & Development	(126,570)	22,780	**23,970**
CR36	8,444	20146 (5513) - Public Consultation	8,880	8,610	**9,110**
CR37	113,248	20147 (5004) - Pier Closure Costs	0	0	**0**
CR38	20,307	20148 (1501) - Shelters and Seats	19,100	22,830	**19,250**
CR39	5,290	20149 (1502) - Street Naming and Numbering	8,210	8,210	**8,210**
CR40	90,540	20150 (5236) - Decorative Lighting	64,990	95,550	**80,570**
CR41	4,927	20318 (5514) - Corporate Systems ERP	20,000	20,000	**0**
CR42	334	20151 / 20152 / 20155-61 (1983 / 1989 / 5289-96 / 6668) - Fore:	180	0	**0**
CR43	0	20324 - Communications and Design	0	109,120	**111,390**
	2,441,571		1,244,970	1,554,230	**1,366,870**

Reference NO.	2017-18 ACTUAL	SERVICE	2018-19 ORIGINAL BUDGET	2018-19 REVISED BUDGET	**2019-20 ESTIMATED OUTTURN**
	£	**SUMMARY OF REVENUE ESTIMATES**	£	£	**£**
OS1	622,835	20169 (1009) - Environmental Services Management & Administration	642,520	1,007,540	**1,047,060**
OS2	403,398	20170 (1071) - Amenities Administration	420,950	426,740	**438,800**
OS3	884,014	20171 (1074) - Waste and Parking Team	511,590	0	**0**
OS4	0	20316 - Waste Service - Management and Admin	236,700	544,610	**462,690**
OS5	0	20317 - Parking Service - Management and Admin	190,090	821,940	**933,490**
OS6	993,259	20172 (1072) - Administration - Housing	918,620	986,210	**893,200**
OS7	125,324	20173 (1005) - Local Land Planning Management & Admin	134,840	134,560	**143,550**
OS8	178,770	20174 (1015) - Director of Operational Services	184,400	183,000	**186,430**
OS9	242,419	20175 (1070) - Leisure Administration	253,850	266,800	**263,530**
OS10	157,280	20176 (1075) - Resort Services Management and Administration	169,900	176,650	**156,290**
OS11	319,692	20177 (1021) - Regeneration Administration Division	333,940	359,080	**341,880**
OS12	443,100	20178 (1025) - Communications & Marketing	467,020	361,050	**365,970**
	(4,370,092)	Less recharges to other services	(4,464,420)	(5,268,180)	**(5,232,890)**
	0	Unallocated Balance	0	0	**0**
OS13	29,487	20179 (1008) - Building Control	54,520	37,790	**42,680**
OS14	887,672	20180 (1600) - Development Control & Conservation	941,320	1,027,450	**944,630**
OS15	(187,645)	20181 (5211) - Local Land Charges Register	(212,950)	(177,720)	**(107,770)**
OS16	608,618	20182 (4000) - Homelessness	604,000	868,430	**945,638**
OS17	192,653	20183 (4001) - Homelessness Prevention	213,880	77,640	**(30,620)**
OS18	22,264	20207 (4002) - Rough Sleeper Prevention	0	23,310	**0**
OS19	15,061	20206 (4004) - Syrian Resettlement Programme	(108,884)	1,040	**(160)**
OS20	(36,144)	20184 (4025) - Social Lettings	(2,320)	54,920	**(10,610)**
OS21	147,737	20185 (4050) - Homelessness Strategy	161,320	150,030	**150,250**
OS22	77,534	20186 (4120) - Housing Register	72,260	79,400	**73,400**
OS23	23,200	20187 (4051) - Deposits funded by ESCC	23,200	23,200	**23,200**
OS24	21,551	20188 (4055) - Youth Homelessness	26,820	21,990	**22,220**
OS25	0	20189 (4057) - Anti Poverty	0	0	**0**
OS26	0	20190 (4060) - POAL Officer	0	0	**0**
OS27	415,438	20191 (4140) - Housing Renewal	423,520	438,600	**427,860**
OS28	25	20193 (4143) - Rogue landlords	0	50,460	**0**
OS29	(76,687)	20195 (4158) - Selective licensing	(126,870)	(159,300)	**(3,890)**
OS30	(6,291)	20196 (4160) - Housing Licensing	(150,270)	(151,810)	**(19,440)**
OS31	(557,495)	20197 (4130) - Housing Solution Services	29,400	64,630	**33,900**
OS32	12,791	20199 (4300) - Coastal Space Enforcement Activities	11,820	12,910	**11,650**
OS33	1,202	20200 (5001) - Dangerous Structures	2,500	2,500	**2,500**
OS34	0	20201 (1953) - Coastal Local economic Partnership (LEP)	4,650	0	**0**
OS35	674,703	20202 (4045) - Housing - NHS Clinical Commissioning Group CCG	0	0	**(180)**
OS36	28,300	20204 (4183) - Sustainable Housing in Inclusive Neighbourhoods	33,300	36,030	**32,650**
OS37	24,016	20205 (4185) - Climate Active Neighbourhoods	13,630	12,810	**13,380**
	2,317,990	**Housing and Built Environment**	2,014,846	2,494,310	**2,551,288**

Reference NO.	2017-18 ACTUAL	SERVICE	2018-19 ORIGINAL BUDGET	2018-19 REVISED BUDGET	**2019-20 ESTIMATED OUTTURN**
OS38	469,129	20208 / 20209 (1900) / (1904) Regeneration Activity	436,830	448,670	**436,190**
OS39	361,764	20211 (1603) - Planning Policy	393,420	365,570	**410,360**
OS40	130,962	20212 (1922) - Cultural Activities	143,640	151,990	**147,030**
OS41	83,372	20213 (1945) - Cultural Development	95,180	64,650	**0**
OS42	88,945	20214 (1934) - External Funding Initiatives	90,770	85,260	**91,910**
OS43	53,671	20215 (1980) - Community Cohesion	54,600	48,720	**45,830**
OS44	(8,881)	20216 (1988) - Fisheries Local Action Group (FLAG)	(9,210)	(10,450)	**(8,430)**
OS45	(68,069)	20217 (1998) - Coastal Communities Fund	(15,000)	31,120	**0**
OS46	0	20218 (1999) - Employability	0	0	**0**
OS47	0	(2020) - Talent Match	0	0	**0**
OS48	0	(2030) - Sea Escapes - CCF III Coastal Communities Fund Revenue	0	0	**0**
OS49	(15,800)	20269 (2040) - CHART CLLD - Connecting Hastings and Rother Together Community Led Local Development	(15,800)	(15,800)	**(15,800)**
OS50	247,825	20219 (5120) - Community Partnership	249,240	249,480	**238,080**
OS51	2,265	20220 (5121) - Older and Younger People	0	1,890	**0**
OS52	5,230	20221 (6006) - Youth Activities (Young Persons Council)	5,000	5,000	**5,000**
OS53	0	20270 (5116) - 1066 Community Grants	0	0	**0**
OS54	9,330	20166 (5118) - Town Centre Management (BID)	9,300	9,300	**0**
OS55	5,000	20167 (5119) - Community Development Activity	5,000	5,000	**5,000**
OS56	0	(1995) - Image Raising Campaign Project	0	0	**0**
OS57	117,110	20222 (5701) - 1066 Country Campaign	130,470	127,310	**180,790**
OS58	102,654	20223 / 20224 (5702 / 5703) - Tourism Marketing	112,990	98,840	**0**
OS59	109,732	20225 (5714) - Tourist Information Centre	122,860	130,750	**131,960**
OS60	50,880	20226 (5705) - Community Awareness	54,640	36,370	**36,790**
OS61	10,976	20227 (5720) - Twinning / Sierra Leone	11,410	6,500	**6,590**
OS62	149,020	20228, 20229, 20230-20133, 20234-20235, 20236, 20237, 20238 (1962), (5719), (5721-5725), (5727-5728), (5730), (5780, 5781) Raising the Profile of Hastings	114,320	103,310	**85,250**
OS63	0	(5731) - Norman Castles Interreg Project	0	0	**0**
OS64	1,824	20239 (5237) - Meteorological Expenses	1,240	1,240	**1,240**
OS65	56,301	20240 (5507) - Civic & Ceremonial Expenses	57,400	50,570	**46,930**
OS66	(10,417)	20241 (5740) - Filming	(4,000)	(4,000)	**(4,000)**
OS67	16,837	20242 (1400) - Coastal Protection	21,900	18,540	**16,650**
OS68	4,738	20243 (1410) - Navigational Aids	5,010	5,260	**4,820**
OS69	17,262	20244 (1608) - Env. Schemes Net Shops	13,760	13,850	**13,680**
OS70	(111,887)	20245 (2502) - Cliff Railways	(133,510)	(112,090)	**(143,010)**
OS71	10,039	20246 / 20247 (2510 / 2512) - Castle and Caves	(32,350)	(6,630)	**(32,300)**
OS72	(147,109)	20248 (2514) - Chalets and Beach Huts	(210,570)	(209,530)	**(257,530)**
OS73	646,342	20249 (2601) - White Rock Theatre	683,610	684,310	**562,000**
OS74	122,108	20250 (5241) - Seafront	139,044	126,180	**121,290**
OS75	435,394	20251-20255 (6000) / (6005) / (6008) / (6009) / (6016) - Museums	412,970	419,020	**431,650**
OS76	5,358	20256 (6015) - First World War Project	0	0	**0**
OS77	4,135	20257 (6150) - Sports Management	16,770	17,210	**11,960**
OS78	21,789	20258 (2640) - Falaise Fitness Centre	52,000	52,550	**22,410**
OS79	37,517	20259 (6100) - Sports Centres	68,120	63,250	**129,980**
OS80	8,460	20260 (6409) - William Parker Athletic Track	8,660	5,000	**3,820**
OS81	17,144	20271 (6640) - Opening Doors	11,040	25,760	**0**
OS82	85,827	20261 (6650) - Sports Development	86,050	93,510	**92,810**
OS83	6,944	20262 (6651) - Street Games	0	9,420	**0**
OS84	11,567	20263 (6675) - Sports for All	0	2,450	**0**
OS85	69,190	20264 (6657) - Active Hastings	62,110	46,490	**79,110**
OS86	139,663	20265 (6660) - Play Development	141,870	158,180	**76,910**

Reference NO.	2017-18 ACTUAL	SERVICE	2018-19 ORIGINAL BUDGET	2018-19 REVISED BUDGET	**2019-20 ESTIMATED OUTTURN**
OS87	0	20266 (6666) - Primary Care Trust Play Grant	0	1,250	**0**
OS88	41,305	20267 (6667) - Play Pathfinder	43,350	44,060	**43,870**
OS89	(2,836)	20268 (6670) - Playground Projects	0	0	**0**
OS90	4,000	20272 (6641) - Lets get Moving (CCG)	0	0	**0**
OS91	0	20321 - Renewable Energy Solutions	0	90,280	**66,090**
OS92	0	20273 (1937) - British BID DCLG - Loan Fund (Business Improvement District)	5,250	0	**0**
	3,396,609	**Regeneration and Culture**	3,439,384	3,539,610	**3,084,930**
OS93	294,379	20276 (3401) - Food Safety	309,390	313,990	**327,220**
OS94	119,235	20277 / 20278 (3402) / (3404) - Health and Safety	125,090	134,790	**137,210**
OS95	309,923	20279 (3403) - Environmental Protection	340,130	343,620	**340,220**
OS96	48,373	20280 (3407) - Pest Control	54,620	54,950	**46,660**
OS97	(85,969)	20281 (5100) - Local Licensing	(55,990)	47,300	**58,820**
OS98	(384)	20283 (5105) - Liquor Licensing	(2,790)	(62,850)	**(63,030)**
OS99	10,109	20284 (5106) - Gambling Licensing	14,560	(23,150)	**(22,970)**
OS100	46,290	20285 (5125) - Stray Dog Contract	46,380	48,650	**48,960**
OS101	57,324	20286 (5223) - Emergency Planning	59,910	61,600	**61,700**
OS102	(654,113)	20287 / 20288 (1300) / (1350) - Parking	(581,420)	(487,550)	**(669,200)**
OS103	232,157	20290 (1370) - Closed Circuit Television	239,760	249,590	**233,450**
OS104	(6,166)	20291 (1506) - ESCC Highway Tree Maintenance	(3,000)	(500)	**(3,000)**
OS105	632	20292 (1504) - Public Realm	40,000	40,000	**0**
OS106	1,014,810	20293 (3303) - Waste Collection	1,117,820	1,235,230	**1,450,570**
OS107	225,950	20294 (3410) - Recycling	245,910	(68,650)	**735,760**
OS108	1,270,121	20295 (3313) - Street Cleansing	1,310,550	1,383,340	**350,710**
OS109	0	20323 - Waste and Street Cleansing (DSO)	0	103,940	**1,260,550**
OS110	(46,915)	20296 (3411) - Greenwaste	(49,740)	25,880	**(47,340)**
OS111	392,987	20297 (3412) - Waste and Environmental Enforcement Team	441,750	329,950	**302,240**
OS112	38,549	20298 (5205) - Together Action	34,260	23,040	**22,780**
OS113	115,566	20299 (5214) - Safer Hastings Partnership	133,510	133,340	**128,920**
OS114	(28,431)	20300 (5219) - Safer Hastings Partnership (Ext	0	0	**0**
OS115	0	20301 (5226) - CS Domestic Violence (CCG)	0	0	**0**
OS116	29,061	20302 (1420) - Watercourses	33,070	36,470	**33,710**
OS117	(470,891)	20303 / 20304 (3102) / (3103) - Cemetery and Crematorium	(545,230)	(535,730)	**(449,670)**
OS118	21,917	20305 (5140) - Travellers Costs	22,120	22,540	**23,030**
OS119	48,450	20306 (5257) - Town Centre	51,090	51,480	**50,380**
OS120	14,913	20307 (5280) - Allotments	7,870	7,660	**7,190**
OS121	45,970	20308 (5281) - Ecology	53,300	53,870	**55,030**
OS122	167,624	20309 (6200) - Arboriculture	142,300	142,390	**143,680**
OS123	1,773,940	20310 (6301) - Parks and Gardens	1,648,730	1,685,130	**1,369,540**
OS124	82,000	20312 / 20313 (1355) / (6503) - Hastings Country Park	85,350	85,750	**102,560**
OS125	14,562	20314 (6508) - Countryside Stewardship	16,000	16,000	**26,000**
OS126	283,656	20315 (3033) - Public Conveniences	266,370	273,360	**260,390**
	5,365,629	**Environment and Place**	5,601,670	5,725,430	**6,322,070**
	11,080,228	**Operational Services Directorate Total**	**11,055,900**	**11,759,350**	**11,958,288**

CAPITAL PROGRAMME SUMMARY

		Original 2018/19 £'000	Revised 2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	Subseq. Years £'000	Total over Prog Period £'000
Net cost by Service								
Corporate Resources		20,907	15,710	5,492	0	0	0	21,202
Operational Services		7,784	6,746	11,164	5,808	2,236	85	26,039
		28,691	**22,456**	**16,656**	**5,808**	**2,236**	**85**	**47,241**
Net cost by Status								
Committed Schemes	c	28,691	21,765	13,137	3,673	85	85	38,745
Uncommitted Schemes	u	0	0	84	2,100	2,116	0	4,300
New Schemes	n	0	691	3,435	35	35	0	4,196
		28,691	**22,456**	**16,656**	**5,808**	**2,236**	**85**	**47,241**
Gross cost of schemes analysed by service								
Corporate Resources		20,952	15,847	5,492	0	0	0	21,339
Operational Services		11,986	10,465	13,759	7,347	3,736	1,585	36,892
		32,938	**26,312**	**19,251**	**7,347**	**3,736**	**1,585**	**58,231**

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

Scheme Ref.	Scheme		Class	Total Gross Cost	Total Net Cost	Before 31.3.18	2018/19	Revised 2018/19	2019/20	2020/21	2021/22	Subsequent Years
						Profile of Council Net Cost						
				£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CR-06	Sandrock Park - Land Purchase	*	C	23	23	0	0	0	23	0	0	0
CR-09	New Factory unit	*	C	1,495	1,495	1,495	0	0	0	0	0	0
CR-12	Kiosk above Bottle Alley	*	C	72	72	72	0	0	0	0	0	0
CR-16	New ERP system	*	C	930	465	424	25	41	0	0	0	0
CR-19	Bexhill Road Retail Park	*	C	8,841	8,841	8,841	0	0	0	0	0	0
CR-20	Conversion of 12/13 York Buildings	*	C	682	682	25	657	55	602	0	0	0
CR-22	Priory Meadow Contribution to Capital Works	*	C	250	250	0	65	124	126	0	0	0
CR-23	Commercial Property Investments	*	C	8,022	8,022	0	12,763	8,022	0	0	0	0
CR-23	Commercial Property Investments	*	C	9,751	9,751	0	5,010	5,010	4,741	0	0	0
CR-23	Commercial Property Investments	*	C	2,387	2,387	0	2,387	2,387	0	0	0	0
CR-24	Harold Place Redevelopment	*	C	71	71	0	0	71	0	0	0	0
	Schemes Already Committed		C	32,524	32,059	10,857	20,907	15,710	5,492	0	0	0
	Schemes Uncommitted		U	0	0	0	0	0	0	0	0	0
	New Schemes		N	0	0	0	0	0	0	0	0	0
	No further approval required	*										
Total Capital Expenditure				32,524	32,059	10,857	20,907	15,710	5,492	0	0	0

		Total Cost £'000	Before 31.3.18 £'000	18/19 £'000	Revised 18/19 £'000	19/20 £'000	20/21 £'000	21/22 £'000	Subsequent Years £'000
CR-06	**Sandrock Park - Land Purchase**								
71215 (9594)									
	The purchase of land at Sandrock Park								
	Funding Source								
	Council	23	0	0	0	23	0	0	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	23	0	0	0	23	0	0	0
CR-09	**New Factory unit**								0
71217 (9800)									
	Construction of additional factory unit in Castleham road to be financed by loan								
	Funding Source								
	Council	1,495	1,495	0	0	0	0	0	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	1,495	1,495	0	0	0	0	0	0
CR-12	**Kiosk above Bottle Alley**								
71221 (9741)									
	Construction of circular kiosk in line with the HBC Seafront Strategy								
	Funding Source								
	Council	72	72	0	0	0	0	0	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	72	72	0	0	0	0	0	0
CR-16	**New ERP system**								
71224 (9450)									
	Purchase and development of new Enterprise Resource Planning system Total HBC budget £500K of which £35K revenue								
	Funding Source								
	Council	465	424	25	41	0	0	0	0
	Other	465	328	45	137	0	0	0	0
	Total Funding	930	752	70	178	0	0	0	0
CR-19	**Bexhill Road Retail Park**								
9132									
	Purchase of new property for income								
	Funding Source								
	Council	8,841	8,841	0	0	0	0	0	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	8,841	8,841	0	0	0	0	0	0
CR-20	**Conversion of 12/13 York Buildings**								
71253 (9802)									
	Funding Source								
	Council	682	25	657	55	602	0	0	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	682	25	657	55	602	0	0	0
CR-22	**Priory Meadow Contribution to Capital Works**								
71259 (9981)									
	Contribution to ensure continuing rental income								
	Funding Source								
	Council	250	0	65	124	126	0	0	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	250	0	65	124	126	0	0	0

		Total Cost £'000	Before 31.3.18 £'000	18/19 £'000	Revised 18/19 £'000	19/20 £'000	20/21 £'000	21/22 £'000	Subsequent Years £'000
CR-23	**Commercial Property Investments**								
71260 (9992)									
	Acquisition of Commercial Property								
	Funding Source								
	Council	8,022	0	12,763	8,022	0	0	0	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	8,022	0	12,763	8,022	0	0	0	0
CR-23	**Commercial Property Investments**								
71261									
	Acquisition of Commercial Property - 311-323 Bexhill Road								
	Funding Source								
	Council	9,751	0	5,010	5,010	4,741	0	0	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	9,751	0	5,010	5,010	4,741	0	0	0
CR-23	**Commercial Property Investments**								
71225									
	Acquisition of Commercial Property - 591 Seddlescombe Road North								
	Funding Source								
	Council	2,387	0	2,387	2,387	0	0	0	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	2,387	0	2,387	2,387	0	0	0	0
CR-24	**Harold Place Redevelopment**								
71264									
	Demolition of Public Convenience - Harold Place								
	Funding Source								
	Council	71	0	0	71	0	0	0	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	71	0	0	71	0	0	0	0

Scheme Ref.	Scheme		Class	Total Gross Cost	Total Net Cost	Before 31.3.18	2018/19	Revised 2018/19	2019/20	2020/21	2021/22	Subsequent Years
						Profile of Council Net Cost						
				£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£,000**	**£,000**	**£'000**
H07	Private Sector Renewal Support	*	c	147	0	0	0	0	0	0	0	0
H08	Disabled Facilities Grant	*	c	7,882	0	0	0	0	0	0	0	0
H15	Empty Homes Strategy - CPO	*	c	250	250	100	70	0	100	50	0	0
OS-05	Purchase of Temporary Homelessness Accommodation	*	n	3,191	3,191	0	0	691	2,500	0	0	0
RP04	Restoration of Pelham Crescent/ Pelham Arcade	*	c	756	359	256	103	25	78	0	0	0
RP16	Road at Pelham Arcade	*	c	125	75	11	44	0	64	0	0	0
RP14	Coastal Space Regeneration Project - Phase 2	*	c	758	758	758	0	0	0	0	0	0
CR14	Coastal Space - Phase 3	*	c	1,376	609	609	0	0	0	0	0	0
RP11	Groyne Refurbishment	*	c	180	180	0	35	0	75	35	35	35
ES35	Work on Harbour Arm and New Groynes	*	c	2,995	30	0	20	30	0	0	0	0
ES36	Further Sea Defence works	*	c	150	0	0	0	0	0	0	0	0
RP09	Public Realm	*	c	416	325	75	50	50	50	50	50	50
ES32	Country Park - Interpretive Centre	*	c	662	266	0	140	0	266	0	0	0
ES37	Playgrounds Upgrade Programme	*	c	302	283	92	45	58	95	38	0	0
ES38	Playgrounds Carnoustie & Kensington Close	*	c	60	0	0	0	0	0	0	0	0
OS 28	Hastings Housing Company	*	c	15,000	15,000	790	5,000	5,710	5,000	3,500	0	0
ES28	Castle Access/ Interpretation	*	c	256	256	50	206	0	0	0	0	0
OS 26	DSO - Waste and Cleansing service - Vehicles	*	n	780	780	0	0	0	780	0	0	0
OS 27	DSO Waste and Cleansing service - Depot Works & Equip	*	c	328	328	0	0	72	256	0	0	0
OS06	Energy - Solar Panels	*	c	1,700	1,700	0	2,000	39	1,661	0	0	0
OS10	Energy - Ground Mounted Solar		u	2,184	2,184	0	0	0	84	2,100	0	0
OS07	Energy Generation - Unallocated		u	2,116	2,116	0	0	0	0	0	2,116	0
OS3	Coastal Communities scheme 4	*	c	414	0	0	0	0	0	0	0	0
OS4	Buckshole and Shornden Reservoirs	*	c	71	71	0	71	71	0	0	0	0
OS12	Priory Street Multi Storey Car Park	*	n	120	120	0	0	0	120	0	0	0
OS13	Lower Bexhill Road	*	n	105	105	0	0	0	35	35	35	0
	Schemes Already Committed		c	33,828	20,490	2,741	7,784	6,055	7,645	3,673	85	85
	Schemes Uncommitted		u	4,300	4,300	0	0	0	84	2,100	2,116	0
	New Schemes		n	4,196	4,196	0	0	691	3,435	35	35	0
	No further approval required	*										
Total Capital Expenditure				42,324	28,986	2,741	7,784	6,746	11,164	5,808	2,236	85

		Total Cost £'000	Before 31.3.18 £'000	18/19 £'000	Revised 18/19 £'000	19/20 £'000	20/21 £'000	21/22 £'000	Subsequent Years £'000
H07	**Private Sector Renewal Support**								
71227 (9314)	Property grants to bring conditions up to minimum standards.								
	Funding Source								
	Council	0	0	0	0	0	0	0	0
	Regional Housing Board Grant+ LEP funding of £46K	147	20	50	50	50	27	0	0
	Total Funding	147	20	50	50	50	27	0	0
H08	**Disabled Facilities Grant**								
71228 (9308)	Property Grants for disabled facilities Grant of £1,679K plus an additional £202.5k (before £60K salaries) for 2018/19								
	Funding Source								
	Council	0	0	0	0	0	0	0	0
	Government Grant including additional £202.5K	7,882	0	1,500	1,882	1,500	1,500	1,500	1,500
	Total Funding	7,882	0	1,500	1,882	1,500	1,500	1,500	1,500
H15	**Empty Homes Strategy - CPO**								
71229 (9590)	Rolling programme of purchases and disposals								
	Funding Source								
	Council	250	100	70	0	100	50	0	0
	Government Grant	0	0	0	0	0	0	0	0
	Total Funding	250	100	70	0	100	50	0	0
OS-05	**Purchase of Temporary Homelessness Accommodation**								
71266	Purchase 9 units of 2 bed units in 2019/20								
	Funding Source								
	Council	2,551	0	0	691	1,860	0	0	0
	Government Grant	0	0	0	0	0	0	0	0
	Total Funding	2,551	0	0	691	1,860	0	0	0
RP04	**Restoration of Pelham Crescent/ Pelham Arcade**								
71231 (9558)	Feasibility study and grants for restoration works, plus additional phase 2 works / grants to adjoining property								
	Funding Source								
	Council	359	256	103	25	78	0	0	0
	Historic England(English Heritage) £280K Council reserves £117K	397	293	104	0	104	0	0	0
	Total Funding	756	549	207	25	182	0	0	0
RP16	**Road at Pelham Arcade**								
71232 (9554)	Road above Pelham Arcade								
	Funding Source								
	Council	75	11	44	0	64	0	0	0
	Other- Freeholder Contributions	50	0	50	0	50	0	0	0
	Total Funding	125	11	94	0	114	0	0	0

	Total Cost £'000	Before 31.3.18 £'000	18/19 £'000	Revised 18/19 £'000	19/20 £'000	20/21 £'000	21/22 £'000	Subsequent Years £'000
RP14 **Coastal Space Regeneration Project - Phase 2**								
71234 (9601)								
Acquisition and refurbishment of dwellings in Central St Leonards, in partnership with Optivo. HBC grant funding now reduced from 30 to 26 units								
Funding Source								
Council - Grant	758	758	0	0	0	0	0	0
Council - Loan	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0
Total Funding	758	758	0	0	0	0	0	0
CR14 **Coastal Space - Phase 3**								
71235 (9993)								
Acquisition and refurbishment of dwellings in Central St Leonards in partnership with Optivo								
Funding Source								
Council	609	609	0	0	0	0	0	0
Other S106 received re Affordable Housing	100	100	0	0	0	0	0	0
LAP contribution	667	667	0	0	0	0	0	0
Total Funding	1,376	1,376	0	0	0	0	0	0
RP11 **Groyne Refurbishment**								
71240 (9007)								
To maintain Beach and Groynes								
Funding Source								
Council	180	0	35	0	75	35	35	35
Other	0	0	0	0	0	0	0	0
Total Funding	180	0	35	0	75	35	35	35
ES35 **Work on Harbour Arm and New Groynes**								
71241 (9006)								
DEFRA funded works re above Investigations to take to take place in 14/15 with the majority of the work in 16/17 & 17/18								
Funding Source								
Council	30		20	30	0	0	0	0
Contribution from DEFRA/EA	2,965	982	1,200	1,645	338	0	0	0
Total Funding	2,995	982	1,220	1,675	338	0	0	0
ES36 **Further Sea Defence works**								
71242								
Hastings Pier to South West Outfall								
Funding Source								
Council	0	0	0	0	0	0	0	0
Other - DEFRA/EA	150	0	150	0	150	0	0	0
Total Funding	150	0	150	0	150	0	0	0
RP09 **Public Realm**								
71244 (9574)								
Improvement & Refurbishment of public realm assets								
Funding Source								
Council	325	75	50	50	50	50	50	50
Other -Coastal Communities Fund revenue 2015/16 £35,000	91	91	0	0	0	0	0	0
Total Funding	416	166	50	50	50	50	50	50

		Total Cost £'000	Before 31.3.18 £'000	18/19 £'000	Revised 18/19 £'000	19/20 £'000	20/21 £'000	21/22 £'000	Subsequent Years £'000
ES32	**Country Park - Interpretive Centre**								
71248 (9603)									
	Provision of a new Interpretive Centre. Council funding being provided by sale proceeds of Warren Cottage.								
	Funding Source								
	Council	266	0	140	0	266	0	0	0
	Other - European Funding 60%	396	0	258	0	396	0	0	0
	Total Funding	662	0	398	0	662	0	0	0
ES37	**Playgrounds Upgrade Programme**								
71249 (9750)									
	Hare Way, Mare Bay, Highwater View, Bexhill Road and other								
	Funding Source								
	Council	283	92	45	58	95	38	0	0
	Other S106	19	0	48	0	7	12	0	0
	Total Funding	302	92	93	58	102	50	0	0
ES38	**Playgrounds Carnoustie & Kensington Close**								
71250 (9751)									
	Carnoustie Close & Kensington Close Play spaces contribution to upgrades								
	Funding Source								
	Council	0	0	0	0	0	0	0	0
	Other S106	60	60	0	0	0	0	0	0
	Total Funding	60	60	0	0	0	0	0	0
OS 28	**Hastings Housing Company**								
71254 (9996)									
	Funding Source								
	Council	15,000	790	5,000	5,710	5,000	3,500	0	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	15,000	790	5,000	5,710	5,000	3,500	0	0
ES28	**Castle Access/ Interpretation**								
71237 (9588)									
	Improvements to the Castle for the 950th anniversary and £100k for additional works								
	Funding Source								
	Council	256	50	206	0	0	0	0	0
	Heritage Lottery Fund	0	0	0	0	0	0	0	0
	Total Funding	256	50	206	0	0	0	0	0
OS 26	**DSO - Waste and Cleansing service - Vehicles**								
71255									
	Funding Source								
	Council	780	0	0	0	780	0	0	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	780	0	0	0	780	0	0	0
OS 27	**DSO Waste and Cleansing service - Depot Works & Equip**								
71268									
	Funding Source								
	Council (£122k IT & equip, £206k Castleham works)	328	0	0	72	256	0	0	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	328	0	0	72	256	0	0	0

		Total Cost £'000	Before 31.3.18 £'000	18/19 £'000	Revised 18/19 £'000	19/20 £'000	20/21 £'000	21/22 £'000	Subsequent Years £'000
OS06 71256 (9995)	**Energy - Solar Panels**								
	Funding Source								
	Council	1,700	0	2,000	39	1,661	0	0	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	1,700	0	2,000	39	1,661	0	0	0
OS10 71269	**Energy - Ground Mounted Solar**								
	Feasibility Report - £84k to be approved Jan 2019								
	Funding Source								
	Council	2,184	0	0	0	84	2,100	0	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	2,184	0	0	0	84	2,100	0	0
OS07 71267	**Energy Generation - Unallocated**								
	Funding Source								
	Council	2,116	0	0	0	0	0	2,116	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	2,116	0	0	0	0	0	2,116	0
OS3 71257 (9545)	**Coastal Communities scheme 4 Promenade fountain Wi-Fi Rock House & Source**								
	Funding Source								
	Council	0	0	0	0	0	0	0	0
	Other CCF £222+ 142 FST £50)	414	272	142	142	0	0	0	0
	Total Funding	414	272	142	142	0	0	0	0
OS4 71258 (9571)	**Buckshole and Shornden Reservoirs Statutory Protection Works**								
	Funding Source								
	Council	71	0	71	71	0	0	0	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	71	0	71	71	0	0	0	0
OS12 71265	**Priory Street Multi Storey Car Park**								
	Car Park Improvements								
	Funding Source								
	Council	120	0	0	0	120	0	0	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	120	0	0	0	120	0	0	0
OS13	**Lower Bexhill Road**								
	Housing Development								
	Funding Source								
	Council	105	0	0	0	35	35	35	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	105	0	0	0	35	35	35	0

Off Street Pay & Display Parking Charges – 2019 / 2020 **Appendix Q**

Parking Place	Current Charges				Parking Place	**Proposed Charges**	
	1 Nov. - 31-Mar		1 April – 31-Oct			1 April – 31 March	
Castle Hill Road	1	£1.50	1	£1.70	Castle Hill Road	1	**£1.80**
Pelham Place	2	£3.00	2	£3.20	Pelham Place	2	**£3.30**
Charging Hours 07:00 to 21:00	3	£4.10	3	£4.30	Charging Hours 07:00 to 21:00	3	**£4.40**
	5	£6.30	5	£6.50		5	**£6.60**
	10	£7.40	10	£7.70		10	**£7.80**
	24	£8.40	24	£9.00		24	**£9.00**
Rock a Nore Road	1	£1.10	1	£1.70	Rock a Nore Road	1	**£1.80**
Charging Hours 07:00 to 21:00	2	£2.10	2	£3.20	Charging Hours 07:00 to 21:00	2	**£3.30**
	3	£3.20	3	£4.30		3	**£4.40**
	5	£3.20	5	£6.50		5	**£6.60**
	10	£3.20	10	£7.70		10	**£7.80**
	24	£3.20	24	£9.00		24	**£9.00**
Marina	1	£1.10	1	£1.20	Marina	1	**£1.30**
Charging Hours 07:00 to 21:00	2	£1.60	2	£1.70	Charging Hours 07:00 to 21:00	2	**£1.80**
	3	£2.40	3	£2.50		3	**£2.60**
	5	£3.20	5	£3.30		5	**£3.40**
	10	£4.80	10	£5.20		10	**£5.30**
	24	£5.80	24	£6.00		24	**£6.00**
Priory Street m/s	1	£1.20	1	£1.30	Priory Street m/s	1	**£1.40**
Carlisle Parade	2	£1.90	2	£2.00	Carlisle Parade	2	**£2.10**
Charging Hours 07:00 to 21:00	3	£2.50	3	£2.70	Charging Hours 07:00 to 21:00	3	**£2.80**
	5	£3.70	5	£3.90		5	**£4.00**
Sunday £1.00 All Day	10	£6.50	10	£6.70	Sunday £1.00 All Day	10	**£6.80**
	24	£7.40	24	£8.00		24	**£8.00**
Cornwallis Street	1	£1.30	1	£1.30	Cornwallis Street	1	**£1.40**
Charging Hours 07:00 to 21:00	2	£2.00	2	£2.00	Charging Hours 07:00 to 21:00	2	**£2.10**
	3	£2.60	3	£2.60		3	**£2.70**
	4	£3.80	4	£3.80		4	**£4.00**
Pier Underground	1	£0.70	1	£0.80	Pier Underground	1	**£1.40**
St Margaret's Rd	2	£0.90	2	£1.00	St Margaret's Rd	2	**£2.10**
Charging Hours 07:00 to 21:00	3	£1.20	3	£1.30	Charging Hours 07:00 to 21:00	3	**£2.80**
	5	£1.60	5	£1.70		5	**£4.00**
	10	£2.20	10	£2.40		10	**£6.80**
	24	£2.60	24	£3.00		24	**£8.00**
Crystal Square	1	£0.70	1	£0.70	Crystal Square	1	**£0.80**
	2	£1.20	2	£1.20		2	**£1.30**
	3	£1.70	3	£1.70		3	**£1.80**
	4	£2.20	4	£2.20		4	**£2.30**
Falaise Road	1	£0.30	1	£0.30	Falaise Road	1	**£0.50**
Falaise Hall	2	£0.50	2	£0.50	Falaise Hall	2	**£1.00**
Summerfields	3	£0.60	3	£0.60	Summerfields	3	**£1.50**
Charging Hours 08:00 to 21:00	4	£1.00	4	£1.00	Charging Hours 08:00 to 21:00	4	**£2.00**
The Bourne	1	£1.50	1	£1.70	The Bourne	1	**£1.80**
Charging Hours 07:00 to 21:00	2	£3.00	2	£3.20	Charging Hours 07:00 to 21:00	2	**£3.30**
	3	£4.10	3	£4.30		3	**£4.40**
	5	£6.30	5	£6.50		5	**£6.60**
	10	£7.40	10	£7.70		10	**£7.80**
	24	£8.40	24	£9.00		24	**£9.00**
Hastings Country	2	£2.00	2	£2.00	Hastings Country	2	**£2.50**
Park (8am - 4pm)	8	£3.00	8	£3.00	Park (8am - 4pm)	8	**£3.50**

Appendix Q (Continued)

Off Street Parking Season Permit Charges 2019/20

Hastings Borough Council Season Permits

Type	Current Charge	Proposed Charge
Annual Season	£710.00	**£730.00**
Quarterly Season	£205.00	**£205.00**
Monthly Season	£75.00	**£80.00**
Weekly Season	£30.00	**£30.00**
Reserved Space Annual Only	£900.00	**£900.00**
Russell Street Reserved Spaces Annual Only	£675.00	**£675.00**
Restricted Zone Annual	£470.00	**£500.00**
Restricted Zone Quarterly	£145.00	**£160.00**
Restricted Zone Monthly	£50.00	**£55.00**
Bourne, High Street and Grand Parade Residents Annual	£380.00	**£500.00**
Bourne, High Street and Grand Parade Residents Quarterly	£115.00	**£150.00**
Grand Parade Motorcycle Permit	50% of car permit rate	**50% of car permit rate**
Priory Street Restricted Zone Motorcycle Permit	25% of car permit rate	**25% of car permit rate**
Hastings Country Park Annual	£35.00	**£50.00**

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Agenda Item 6

Agenda Item No:

Report to: **Cabinet**

Date of Meeting: 11 February 2019

Report Title: **Treasury Management, Annual Investment Strategy and Capital Strategy 2019/20**

Report By: Peter Grace

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

Purpose of Report

To consider the draft Treasury Management Strategy, Annual Investment Strategy, Minimum Revenue Provision (MRP) Policy and Capital Strategy and make recommendations to Cabinet and full Council as appropriate. This is to ensure that there is an effective framework for the management of the Council's investments, cash flows and borrowing activities prior to the start of the new financial year.

The Council has some £46.7 million of debt (as at 1 January 2019), and investments which can fluctuate between £15m and £30m in the year. The level of debt is set to increase to some £78m by 2020/21.

Recommendations

Cabinet recommends to full Council that:

1. **The Council approve the Treasury Management Strategy, Minimum Revenue Provision (MRP) Policy, Annual Investment Strategy, and the Capital Strategy.**

2. **That the strategies be updated as necessary in 2019/20 in the light changing and emerging risks, the Council's evolving future expenditure plans, along with further expected guidance on the Codes of Practice and government regulations.**

3. **That the Financial rules and the Financial Operating Procedures of the Council are reviewed and revised (as necessary) to meet the new requirements of the Code.**

4. **That the Investment Policy includes the use of CCLA's Diversified Income Fund with a limit of up to £3m being invested within it (£5m in total with CCLA).**

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Reasons for Recommendations

The Council seeks to minimise the costs of borrowing and maximise investment income whilst ensuring the security of its investments. The Council continues to make substantial investments in commercial property, housing and energy generation initiatives, and this will continue to involve the Council in taking on additional borrowing.

The sums involved are significant and the assumptions made play an important part in determining the annual budget. The CIPFA Code of Practice (2017 Edition), adopted by the Council last year, was released to take account of the more commercialised approach being adopted by councils and the enhanced levels of transparency required. The Code represents best practice and helps ensure compliance with statutory requirements.

The Council has the ability to diversify its investments and must consider carefully the level of risk against reward against a background still of historically low interest rates. Investments can help to close the gap in the budget in the years ahead and thus help to preserve services, assist in the regeneration of the town, provide additional housing and enhance the long term sustainability of the town.

Introduction

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

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

3. Treasury management in this context is defined by CIPFA as:

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

4. In December 2017, CIPFA issued a revised Treasury Management Code of Practice and a revised Prudential Code. These revisions have particularly focused on non-treasury investments and especially on the purchase of property with a view to generating income. Such purchases could involve undertaking external borrowing to raise the cash to finance these purchases, or the use of existing cash

balances. Both actions would affect treasury management. As the Localism Act 2011 only gave English local authorities a General Power of Competence, these changes in the revised codes are particularly relevant therefore to the activities of English authorities.

5. CIPFA issued a statement that accepted that the issue of revised codes in the late stages of setting the 2018-19 budget cycle was not helpful and accordingly, full implementation was not expected until 2019-20 across all authorities.

6. The Chief Finance Officer responsibilities have been extended to include a series of new roles in respect of the capital strategy and also a specific role in respect of investment in non-financial assets. Amendments are included within the Appendices.

7. Treasury Management Practices and Financial Operating Procedures will need to be reviewed to ensure they properly take account of changes required by the Codes and government regulations.

8. The Audit Committee considered the same report and strategies at its meeting on the 23 January and resolved to recommend the policies and strategies to Cabinet and full Council.

Investment guidance

9. In early 2018 the Ministry of Housing, Communities and Local Government (MHCLG) issued new statutory guidance on local government investments). This provided for added focus on non-financial asset investments and includes for example loans made to wholly-owned companies, third parties, joint ventures.

10. Investments made by a local authority can be classified into one of two main categories:

    (i) Investments held for treasury management purposes

    Where treasury management investments are held the Council discloses the contribution these investments make to the local authority

    (ii) Other investments

    Councils are required to disclose the contribution that all other investments make towards the service delivery objectives and /or place making role of the authority. Each authority is able to define the types of contribution that investments can make and a single investment can, make more than one type of contribution. These include:

    - Yield/profit
    - Regeneration
    - Economic benefit/business rates growth
    - Responding to market failure
    - Treasury management

Minimum Revenue Provision (MRP) guidance

11. The MHCLG issued new MRP guidance in early 2018. This provided new focus on expenditure relating to purchasing non-financial asset investments and limiting the periods over which assets could be financed. This materially affected the Council's Housing Company and particularly any monies that constitute equity (limited to 20 years). It does not affect the Council's ability to lend monies to the Housing company over a 40 year loan period – unless the assets have an estimated useful life of less than that.

The Primary Requirements of the Code

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

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

14. 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 capital Strategy, a Mid-year Review Report and an Annual Report (stewardship report) covering activities during the previous year.

15. 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.

16. 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.

17. Publication of the Strategies on the Council's website.

Reporting Arrangements

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

Area of Responsibility	Council/ Committee/ Officer	Frequency
Treasury Management Strategy / Annual Investment Strategy / MRP policy/ Capital Strategy (in future years)	Cabinet and Council	Annually before the start of the year
Treasury Management Strategy / Annual Investment Strategy / Capital Strategy/MRP policy – Mid Year report	Cabinet and Council	Mid-year

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

19. The latest CIPFA Code of Practice on Treasury Management (2017) was adopted by this Council in February 2018. The main clauses adopted are included in Appendix 8.

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

Investment Performance 2018-19

21. The performance for the first 9 months of 2018/19 provided an average return of 0.65%.This compares to 0.34% for the same period last year. These figures exclude the interest receivable in respect of loans to other organisations.

22. The total interest receivable for the first 9 months is £117,000 (2017/18 £67,000). These figures exclude the interest receivable in respect of the three loans to other organisations and income from the Property Fund investment. If all the interest received is included this would amount to some £253,000 (2017/18 £178,500).

23. The Cabinet on 7 January 2019 considered a Mid-Year report on Treasury Management based on the performance and activities arising since setting the strategies before the start of the financial year. The current strategy and policies were considered to be appropriate and no changes were made.

Capital Strategy

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

25. The codes require all local authorities to produce detailed Capital Strategies.

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

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

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

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

- the capital schemes that are proposed and their objectives
- The legal power to undertake a particular scheme
- The key aspects of the financial appraisal, including any significant risks that have been identified
- Qualitative criteria that have underpinned the recommendation for a scheme to proceed e.g. links to Corporate plan, economic growth, job retention, etc.
- Likely source of funding
- Long term implications
- Risks and affordability
- In assessing new income generating proposals the Council does already consider the above list of issues as part of the due diligence checklist and decisions are fully documented.

30. This capital strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset.

31. The Capital Strategy would look to cover a much longer planning period than the existing capital programme. Work has commenced on identifying likely future expenditure and as the Council's plans evolve the capital strategy and all the prudential indicators and controls e.g. borrowing limits will need to be determined by full Council.

Risk Management

32. The Investment strategy prioritises security of investments over return. Where investments are made they are limited in size and duration. External treasury advisers are used to advise the Council and have been used to train members. The

Council has introduced further checks on credit worthiness of counterparties over the last six years as and when these have been further developed by its advisers.

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

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

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

36. The additional risks that the Council is taking on with commercial property, housing and energy investments needs to be considered in the context of the totality of risk that the Council faces e.g. Pier claim, rates revaluation, robustness of income streams, loans and guarantees to other parties, economic downturns, etc. Where there is more risk and volatility in income streams the Council will need to ensure that it maintains sufficient reserves to ensure the Council's ability to deliver key services is not jeopardised.

37. 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.

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

Economic/Financial Implications

39. The Council generally has investments in the year of between £15 million and £30 million at any one time, and is estimated to have longer term borrowings approaching £60m by the end of March 2019. Management of its investments, borrowing and cash flow remains crucial to the proper and effective management of the Council. The Strategies and Policies detailed in the report directly influence the Council's Medium Term Financial Strategy and the annual budget.

Organisational Consequences

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

Treasury Management Strategy, MRP Policy, and Investment Strategy and for the new Capital Strategy.

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

42. There are new responsibilities placed on the Council and the Chief Finance officer from the new Codes of Practice which relate to governance arrangements, ensuring robustness of business cases, and risk management. The risk management requirements relate to asset related properties which the Council has borrowed to finance, and assessments of overall risk.

43. There are specific requirements to maintain schedules of counterparties and of any guarantees that the Council may give or have given in the past in order to fully assess the potential risks that the Council may be exposed to when making investment decisions.

Timetable of Next Steps

Action	Key milestones	Due dates (provisional)	Responsible
Update Treasury Management Practices, produce necessary schedules for full compliance with Codes of Practice	1 April 2019	Full implementation by 2019/20	Chief Finance Officer
Arrange Training for members/ officers	Year End & Mid-Year Review Report	July 2019	Chief Finance Officer

Wards Affected

None

Area(s) Affected

None

Policy Implications

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

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

Documents Attached:
(i)Treasury Management Strategy (including Investment Policy)
Includes the following Appendices
1. MRP Introduction and Policy Statement
2. Interest Rate Forecasts
3. Economic Review
4. Prudential and Treasury Indicators
5. Specified and non-Specified Investments
6. Approved Countries for Investments
7. Treasury Management Policy Statement
8. Purpose and Requirements of the Code
9. Treasury Management Scheme of Delegation
10. The Treasury Management Role of the Section 151 Officer

(ii) Capital Strategy

Other Supporting Documents:-
CIPFA - Treasury Management Code of Practice (2017)
CIPFA - The Prudential Code (2017)
Budget Report - Cabinet 11 February 2019

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Treasury Management Strategy (TMS) for 2019/20

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

2. The Act therefore requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy; this sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments. There is also now the new requirement to produce a Capital Strategy – also for determination by full Council.

3. The Treasury Management strategy covers two remain areas:

   (i) Capital issues
   - the capital plans (in summarised form) and the prudential indicators;
   - the Minimum Revenue Provision (MRP) policy.

   (ii) Treasury management issues
   - the current treasury position;
   - treasury indicators which limit the treasury risk and activities of the Council;
   - prospects for interest rates;
   - the borrowing strategy;
   - policy on borrowing in advance of need;
   - debt rescheduling;
   - the investment strategy;
   - creditworthiness policy; and
   - policy on use of external service providers.

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

5. The strategy for 2019/20 in respect of the following aspects of the treasury management function is based upon the Council officers' views on interest rates, supplemented with leading market forecasts provided by the Council's treasury advisor, Link Asset Services (previously Capita Asset Services).

Key Changes to the Strategy

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

   i. The Council has taken on additional borrowing in 2018/19 in respect of the Capital programme and the Income Strategy. The level of borrowing has risen significantly but remained within the operational and authorised boundaries.

The income generation plans of the Council are expected to involve considerable new borrowing again in 2019/20 and the years ahead. The borrowing limits proposed in the strategy are those previously agreed when determining the budget for 2018/19 (included the £50m for income generation) and allow very limited headroom to borrow for the current and forthcoming schemes within the Capital programme without reliance on the capital receipts from land and property disposals.

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

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

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

v. The Council invested some of its existing reserves in a Property Fund – up to a limit of £2m by 31 March 2018. This strategy proposes to invest further monies up to £3m in another CCLA (Churches, Charities, and Local Authorities) Fund which is less exposed to property and is more liquid (available to be recalled at shorter notice and with less los of capital and interest). This is seen as important given the potential calls on reserves and the considerable uncertainty surrrounding the impact of Brexit.

Balanced Budget

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

PRUDENTIAL AND TREASURY LIMITS FOR 2019/20 TO 2021/22

The Council's Capital Position (Prudential Indicators)

8. The Council's capital expenditure plans are the key driver of treasury management activity.

9. The prudential code requires the local authority to identify prudential indicators that enable members, officers and the public to make a meaningful judgement on

the Council’s total exposure from borrowing and investment decisions. The indicators are required to cover both the Council’s current position and the expected position assuming all planned investments in the forthcoming years are completed.

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

The Council’s capital expenditure plans;

How these plans are being financed;

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

Reviewing the limits in place for borrowing activity.

Prudential Indicator for Capital Expenditure

11. This table shows the revised estimates for capital expenditure for the current and next three financial years.

	Revised 2018/19 £’000s	2019/20 £’000s	2020/21 £’000s	2021/22 £’000s
Gross Capital Expenditure	26,312	19,251	7,347	3,736
Net Capital Expenditure	22,456	16,656	5,808	2,236
Financing from own resources	1,004	780	208	120
Borrowing Requirement	21,452	15,876	5,600	2,116

12. In terms of **net cost**, the 2018/19 programme has been revised to £22,456,000 from £28,691,000. The 2019/20 programme amounts to £16,656,000 (£19,251,000 Gross).

Capital Expenditure – Financing

13. The table above summarises the capital expenditure plans and how these plans are being financed – either by own resources e.g. Section 106, Capital receipts or through borrowing. New Capital schemes will generally be financed by borrowing, unless Capital receipts from the sale of assets are available.

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

- Commercial property purchases estimated at £15m
- Loans to Hastings Housing Company Ltd estimated at £5.7m
- Temporary accommodation estimated at £691,000

15. The financing requirements for larger schemes in **2019/20** include:

- Loans to Hastings Housing Company Ltd estimated at £5m
- Commercial property purchases estimated at £4.7m (Stage Payment)
- Energy initiatives at £1.66m
- Street Cleaning Vehicles at £780,000
- York buildings at £602,000
- Country Park Interpretive centre at £266,000 (net)
- Housing – Temporary Accommodation at £2.5m

Impact on the prudential indicators

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

The **Authorised Limit**, which is a limit beyond which external debt is prohibited, needs to be set or revised by the full Council; it is a statutory duty under Section 3 (1) of the Local Government Act 2003 and supporting regulations. 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.

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

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

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

18. Essentially the Council is required to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future Council Tax levels is ‘acceptable’.

19. Whilst termed an "Affordable Borrowing Limit", the capital plans to be considered for inclusion in the Capital programme incorporate financing by both external borrowing as well as other forms of liability e.g. Credit arrangements (such as leases).

20. The Authorised Limit and operational boundary are to be set, on a rolling basis, for the forthcoming financial year and two successive financial years by full Council as part of this strategy.

21. **The Government retains an option to control either the total of all councils’ plans, or those of a specific council, although this power has not yet been exercised.**

PROSPECTS FOR INTEREST RATES

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

Link Asset Services Interest Rate View														
	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	1.75%	2.00%
3 Month LIBID	0.80%	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%
6 Month LIBID	0.90%	1.00%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%
12 Month LIBID	1.10%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%
5yr PWLB Rate	2.00%	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.80%
10yr PWLB Rate	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%
25yr PWLB Rate	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.40%

23. The flow of generally positive economic statistics after the quarter ended 30 June meant that it came as no surprise that the MPC came to a decision on 2 August 2018 to make the first increase in Bank Rate above 0.5% since the financial crash, from 0.5% to 0.75%. Growth has been healthy since that meeting, but is expected to weaken somewhat during the last quarter of 2018.

24. At their November meeting, the MPC left Bank Rate unchanged, but expressed some concern at the Chancellor’s fiscal stimulus in his Budget, which could increase inflationary pressures. However, it is unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. The timing of the next increase in Bank Rate is very uncertain. Forecast to be in

May 2019 or December 2019, followed by increases in February and November 2020, before ending up at 2.0% in February 2022.

25. The overall longer run future trend is for gilt yields, and consequently PWLB rates, to rise, albeit gently. However, over about the last 25 years, we have been through a period of falling bond yields as inflation subsided to, and then stabilised at, much lower levels than before, and supported by central banks implementing substantial quantitative easing purchases of government and other debt after the financial crash of 2008. Quantitative easing, conversely, also caused a rise in equity values as investors searched for higher returns and purchased riskier assets. In 2016, we saw the start of a reversal of this trend with a sharp rise in bond yields after the US Presidential election in November 2016, with yields then rising further as a result of the big increase in the US government deficit aimed at stimulating even stronger economic growth. That policy change also created concerns around a significant rise in inflationary pressures in an economy which was already running at remarkably low levels of unemployment.

26. Rising bond yields in the US have also caused some upward pressure on bond yields in the UK and other developed economies. However, the degree of that upward pressure has been dampened by how strong or weak the prospects for economic growth and rising inflation are in each country, and on the degree of progress towards the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

27. From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment. Such volatility could occur at any time during the forecast period.

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

BORROWING STRATEGY

29. The capital expenditure plans set out in the budget provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities.

Current Portfolio Position

30. The Council's forecast debt position for 31 March 2019, if no further borrowing is taken for the rest of the financial year, as at 28 December 2019, amounted to £44.7m (SeeTable below).

Table 1 – Borrowing

Debt	1 April 2018 Principal	Rate	Maturity	01-Apr-19 Principal	Rate
PWLB Loan 1	£7,500,000	4.80%	2033	£7,500,000	4.80%
PWLB Loan 2			2016		
PWLB Loan 3	£0	1.63%	2018	£0	1.63%
PWLB Loan 4	£2,000,000	0.40% (*Variable)	2019		0.40% (*Variable)
PWLB Loan 5	£909,027	3.78%	2044	£909,027	3.78%
PWLB Loan 6	£1,788,235	3.78%	2044	£1,788,235	3.78%
PWLB Loan 7 (Annuity)	£243,901	1.66%	2026	£215,148	1.66%
PWLB Loan 8	£1,000,000	2.92%	2056	£1,000,000	2.92%
PWLB Loan 9	£1,000,000	3.08%	2046	£1,000,000	3.08%
PWLB Loan 10	£1,000,000	3.01%	2036	£1,000,000	3.01%
PWLB Loan 11	£1,000,000	2.30%	2026	£1,000,000	2.30%
PWLB Loan 12	£2,000,000	2.80%	2054	£2,000,000	2.80%
PWLB Loan 13	£1,000,000	2.42%	2028	£1,000,000	2.42%
PWLB Loan 14	£2,000,000	2.53%	2057	£2,000,000	2.53%
PWLB Loan 15	£2,000,000	2.50%	2059	£2,000,000	2.50%
PWLB Loan 16	£2,000,000	2.48%	2060	£2,000,000	2.48%
PWLB Loan 17 (Annuity)	£7,222,996		2057	£7,113,729	2.53%
PWLB Loan 18 (Annuity)	£8,350,000		2057	£8,232,535	2.72%
PWLB Loan 19			2028	£2,000,000	1.98%
PWLB Loan 20 (Annuity)			2058	£4,000,000	2.55%
Total Debt	**£41,014,159**	**3.15%**		**£44,758,674**	**3.03%**

The Council has loaned money to other organisations. As at 30 September 2018 three longer term loans are outstanding. Namely:

Table 2 – Loans to Other Organisations

3rd Party Organisations	Rate/ Return (%)	Start Date	End Date	Principal £	Term
Amicus /Optivo	3.78	04/09/2014	02/09/2044	1,788,235	Fixed
The Foreshore Trust	1.66	21/03/2016	20/03/2026	229,583	Annuity
The Source	2.43	17/12/2015	17/12/2025	19,304	Annuity
			Total	2,037,122	

31. A further loan has been agreed with Freedom Leisure in respect of the new climbing wall at Summerfields leisure Centre (as per the cabinet report of 8 April 2018). The loan agreement for some £134,037 is being finalised.

32. 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. The £25,000 loan to the Source is repayable over a 10 year period and is financed from HBC reserves. The above table excludes the loans to the Hastings Housing Company.

Borrowing Limit – Capital Financing Requirement (CFR)

33. The first key control over the treasury activity is a prudential indicator to ensure that borrowing will only be for a capital purpose. The CFR (Capital Financing Requirement) is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure which has not been funded from grants, revenue, reserves or capital receipts will increase the CFR.

34. The Council has at the time of writing some £46.7m of PWLB debt, with £2m of debt being repaid in January 2019, and should look to borrow up to the projected level of the CFR (£60.1m) by the end of March 2019 or risk exposure to interest rate movements .

35. There has been, not unexpectedly, a big impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow. The Capital Financing Requirement has increased significantly over the last 18 months. It is expected to reach some £78.6m by 2021/22 (based on the capital programme approvals to date).

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

37. 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.

38. The total CFR can also be reduced by:

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

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

39. 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.

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

41. The plans for income generation, which require substantial new borrowing by the Council in the future, play a part in the consideration as to when to borrow and the level of internal borrowing. Given the historically low interest rates and the ability of the Council to look at other investment opportunities which are providing higher returns than the cost of borrowing e.g. property acquisitions or property funds, there remains a much stronger case for minimising the level of internal funding in order to ensure a lower level of borrowing risk in the future.

42. The table below provides an estimate of the Council's Capital Financing Requirement (CFR) for the current and next 3 years. Please note the table below excludes the impact of leases (which have minimal impact at present <£10k).

CFR	2018/19 (Adj. Est)	2019/20 (Est)	2020/21 (Est)	2021/22 (Est)	2022/23 (Est)
	£	£	£	£	£
CFR-Opening	39,493,000	60,150,000	74,842,000	78,814,000	79,155,000
Less MRP	-795,000	-1,184,000	-1,628,000	-1,775,000	-1,875,000
Plus, New Borrowing	21,452,000	15,876,000	5,600,000	2,116,000	0
CFR Closing	60,150,000	74,842,000	78,814,000	79,155,000	77,280,000

43. The table below highlights the Council's projected gross borrowing position against the CFR (showing the level that is financed from internal borrowing).

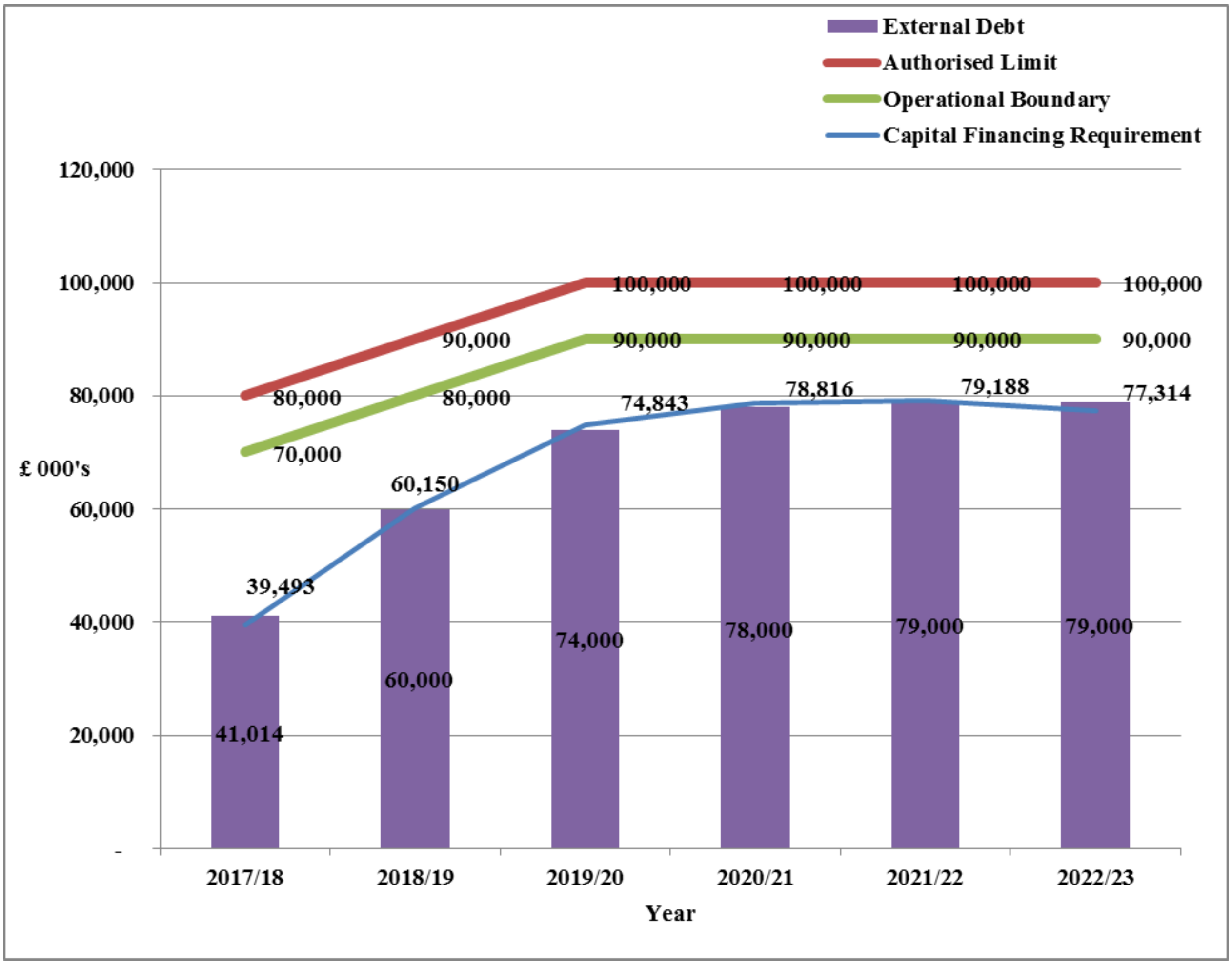
Table 3 Internal Borrowing	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Capital Financing Requirement	60,150,000	74,843,000	78,816,000	79,188,000
External Borrowing Est.	44,750,000	74,000,000	78,000,000	79,000,000
Net Internal Borrowing	15,300,000	843,000	816,000	188,000

44. The Council has some £44.758m of PWLB debt (at 29 Jan 2019), and could potentially borrow up to a level of £60.15m (estimated CFR at 31 March 2019). The £60.15 figure does take account of projected new capital spending in the remainder of this year which is expected to be funded by new borrowing.

45. The Council is now (27 January 2019) maintaining a very small under-borrowed position, but this could increase to some £15.3m if the Capital programme completes as forecast and new loans are not taken. In future years the capital borrowing need (the Capital Financing Requirement), is nearly fully funded with loan debt as against cash supporting the Council's reserves, balances and cash flow being used as a temporary measure. This strategy is seen as prudent when interest rates are forecast to increase. However there is a cost, given that investment returns are low and counterparty risk has been relatively high. New borrowing will continue to be taken if good rates are available in the absence of any meaningful Capital receipts being available to fund Capital expenditure.

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

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



48. **Borrowing – Overall Limits**

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

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

50. **Borrowing – Certainty Rate**

The Council again registered for the PWLB certainty rate earlier in the year which has given a 20 basis point reduction in the average rate of borrowing. The Council will look to do so again for 2019/20 and thereafter if it remains available.

51. **Borrowing – Change of Sentiment**

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

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

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

52. **Borrowing – Timing**

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

53. Given that rates look set to increase and given an increased borrowing requirement relating to Capital programme it is recommended that new borrowing is taken rather than use internal balances for long life assets. Likewise, given that the Council is increasingly using its reserves these need to be readily available and not subjected to unnecessary risk or exposure.

Summary

54. 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.

55. The plans for income generation require further substantial new borrowing by the Council. The plans play a large 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.

56. The cheapest borrowing will be internal borrowing by running down cash balances and foregoing interest earned at historically low rates. However, in view of the overall forecast for long term borrowing rates to increase over the next few years, consideration has been given to weighing the short term advantage of internal borrowing against the potential increase in long term costs as rates rise. As such additional new borrowing has been, and will continue to be, taken.

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

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

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

Policy on borrowing in advance of need

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

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

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

Debt Rescheduling

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

63. The Council also keeps under review the potential for making premature debt repayments in order to reduce borrowing costs as well as reducing counterparty risk by reducing investment balances. However, the cost of the early repayment premiums that would be incurred and the increase in risk exposure to significantly higher interest rates for new borrowing, continue to make this option unattractive. When last reviewed on the 27 September 2017 the early repayment cost of the £7.5m PWLB loan, maturing in 2033, would amount to £3,177,343. No debt rescheduling is being contemplated at present.

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

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

    b. helping to fulfil the strategy outlined above

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

Minimum Revenue Provision (MRP)

65. Appendix 1 of this report provides the detail on what the MRP is and the basis of the calculation. Basically, authorities are required each year to set aside some of their revenues as provision for debt repayment. Unlike depreciation which is reversed out of the accounts, this provision has a direct impact on the Council Tax requirement. The provision is in respect of capital expenditure that is financed by borrowing or credit arrangements e.g. leases.

66. The Council is required to make a “Prudent Provision” which basically ensures that revenue monies are set aside to repay the debt over the useful life of the asset acquired i.e. the Minimum Revenue Provision (MRP). This can be achieved by equal annual instalments (current practice) or an annuity method – annual payments gradually increasing over the life of the asset. Where an annuity loan is taken, the Council’s policy (Appendix 1) was amended last year to reflect the matching, as far as possible, of the MRP with the actual principal repaid (within each debt repayment).

67. The MRP for 2019/20 is estimated at £1,184,000 (the statutory charge to revenue that remains within the accounts).

ANNUAL INVESTMENT STRATEGY

Investment Policy

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

69. In accordance with the above guidance from the MHCLG and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

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

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

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

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

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

Creditworthiness Policy

75. This Council uses the creditworthiness service provided by Link Asset Services - the potential counterparty ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications. This service has been progressively enhanced over the last couple

of years and now uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays: -

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

76. This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour code bands which indicate the relative creditworthiness of counterparties. These colour codes are also used by the Council to determine the duration for investments and are therefore referred to as durational bands. This is a service which the Council would not be able to replicate using in house resources.

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

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

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

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

80. This Council will not use the approach suggested by CIPFA of using the lowest rating from all three rating agencies to determine creditworthy counterparties as Moody's tend to be more aggressive in giving low ratings than the other two agencies. This would therefore be unworkable and leave the Council with few

banks on its approved lending list. The Link creditworthiness service does though, use ratings from all three agencies, but by using a risk based scoring system, does not give undue weighting to just one agency's ratings.

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

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

83. The Council only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch Ratings (or equivalent from other agencies if Fitch does not provide). The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 6. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy. The maximum investment in any non UK country is not to exceed £10m.

Investment Strategy

84. The table below provides a snapshot of the investments and deposits held mid year (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 – 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**	

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

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

£5m limit generally represents a level of up to 25% of the investment portfolio with any one institution or group at any one time. It is also necessary, at times, to invest sums of this size in order to attract the larger institutions which have the higher credit ratings.

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

Investment Strategy – Property Fund

88. 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	**Dec-18**	**Sep-18**	**Jun-18**	**Mar-18**	**Dec-17**	**Sep-17**	**Apr-17**
Offer Price p	329.35	324.17	324.10	322.40	319.44	314.48	307.19
Net Asset Value p	308.53	303.67	303.61	302.01	299.24	294.60	287.77
Bid Price p	303.75	298.97	298.90	297.33	294.60	290.03	283.31
Dividend* on XD Date p	3.32	3.17	3.28	3.21	3.38	3.34	
Dividend* - Last 12 Months p	12.98	13.04	13.64	13.70	13.71	13.13	13.19
Dividend Yield on NAV %	4.21	4.29	4.49	4.54	4.58	4.46	4.58
Fund Size £m	1,099.0	1,047.8	1,027.7	976.3	930.8	836.2	710.2

89. 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 (£63,614 as at 31 December 2018).

Table Showing Capital Value Increases since April 2017

Units (651,063)	**Dec-18**	**Sep-18**	**Jun-18**	**Mar-18**	**Dec-17**	**Sep-17**	**Apr-17**
Mid Market Price(£)	2,008,724.67	1,977,083.01	1,976,692.37	1,966,275.37	1,948,240.92	1,918,031.60	1,873,564.00
Bid Price (£)	1,977,603.86	1,946,483.05	1,946,027.31	1,935,805.62	1,918,031.60	1,888,278.02	1,844,526.59

90. 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), albeit the original Capital value is now projected to be recovered by April 2019.

Investment Strategy – Diversified Income Fund (CCLA)

91. The Council's reserves are diminishing and given uncertainties around Brexit and the implications, either way, over the next few years, the Council needs to ensure that it has cash available when required. The Council invested £2m last financial year in the CCLA Property Fund which has been very successful to date, but will have taken some 2 years to recover the original Capital value of the investment made.

92. It is recommended that the Council invests up to £3m in a more diversified fund that returns just above 3% which although a lower return than the Property Fund, has much lower entry and exit costs but still achieves more than if invested solely as cash. In terms of the complete fund, 75% of it could be liquidated within 2 days if necessary – unlike the existing Property Fund.

93. Investing in the fund would still be viewed as a long term investment, would provide a higher rate of return than current cash investments, and provide a more diversified investment income stream. The additional interest earned, estimated at some £60,000 p.a. is included in the 2019/20 budget.

94. Due diligence on CCLA (Churches, Charities and Local Authorities) has been undertaken previously and is owned by its investors. Currently there are 28 authorities and 2 charity clients investing £126m in this fund with more in the pipeline. More details on the fund are included in Appendix 11 and the fact sheet is included in Appendix 12.

Investment Strategy – View on Interest Rates

95. Investment returns have started to increase in 2018/19 and are expected to be on a gently rising trend over the next few years.

Investment Return Expectations.

96. Bank Rate is forecast to increase steadily but slowly over the next few years to reach 2.00% by Quarter 1 2022. Bank Rate forecasts for financial year ends (March) are:

- 2018/19 0.75%
- 2019/20 1.25%
- 2020/21 1.50%
- 2021/22 2.00%

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

Investment Strategy – Income Generation

98. The income generation proposals that the Council is looking at require substantial investments to be made by the Council and will necessitate new borrowing. The levels of new borrowing that the Council can afford to take on board for new commercial property purchases and development, housing and energy schemes, etc, will be dependent upon the individual proposals and credit worthiness of the counterparties involved. Due to the timescales within which some property purchasing and disposal decisions have to be made the Council's existing governance arrangements and delegated authorities have been revised e.g. establishment of Income Generation Board.

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

100. The income generation proposals require revenue loans to be provided to Council owned companies. Such funding is not be available from the Public Works Loan Board, and is therefore from existing Council reserves and balances. The rates of interest that are charged to the company (s) are determined at the time of the advance and need to comply with state aid rules where thresholds are exceeded – a market rate being payable.

Accounting Implications

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

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

103. As the code is currently structured, equity related to the "commercialism" agenda, property funds, equity funds and similar, are likely to be classified as Fair Value through the Profit and Loss (FVPL). It is understood some funds are suggesting the election to Fair Value through Comprehensive Income (FVCI) applies to property funds as it would be deemed to be an equity investment. In late 2018 the government have confirmed there will be a statutory override to FVPL for these types of investment for a period of 5 years.

End of Year Investment Report

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

Policy on Use of External Service Providers

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

106. **Training**

The CIPFA Code requires the responsible officer (Chief Financial Officer) to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. Training was provided in November on Joint Ventures. In terms of Treasury management in general, training has been undertaken by members on an annual basis to date and further training is being arranged for all members prior to full Council on 20 February 2019.

The training needs of treasury management officers are periodically reviewed.

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

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

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

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

Scheme of Delegation

110. Please see Appendix 9.

Role of the Section 151 Officer

111. Please see Appendix 10.

APPENDIX 1

Minimum Revenue Provision – An Introduction

1. What is a Minimum Revenue Provision?

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

2. Statutory duty

Statutory Instrument 2008 no. 414 s4 lays down that:

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

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

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

3. Government Guidance

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

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

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

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

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

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

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

Under this option, it is intended that MRP should be spread over the estimated useful life of either an asset created, or other purpose of the expenditure. There are two useful advantages of this option: -

- Longer life assets e.g. freehold land can be charged over a longer period than would arise under options 1 and 2.
- No MRP charges need to be made until the financial year after that in which an item of capital expenditure is fully incurred and, in the case of a new asset, comes into service use (this is often referred to as being an 'MRP holiday'). This is not available under options 1 and 2.

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

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

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

Minimum Revenue Provision Policy Statement 2019/20

The Council implemented the new Minimum Revenue Provision (MRP) guidance in 2008/9 , and will assess the MRP for 2019/20 in accordance with the main recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003.

A major proportion of the MRP for 2019/20 relates to the more historic debt liability that will continue to be charged at the rate of 4%, in accordance with option 1 of the guidance. Certain expenditure reflected within the debt liability at 31st March 2019 will under delegated powers be subject to MRP under option 3, which will be charged over a period which is reasonably commensurate with the estimated useful life applicable to the nature of expenditure, using the equal annual instalment method. For example, capital expenditure on a new building, or on the refurbishment or enhancement of a building, will be related to the estimated life of that building.

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

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

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

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

APPENDIX 2 Interest Rate Forecasts

The data below shows Sectors forecast

Link Asset Services Interest rate forecast – Dec 2018 – March 2021

Bank Rate	Now	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Link Asset Services	**0.75%**	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%
Capital Economics	**0.75%**	0.75%	0.75%	1.00%	1.25%	1.50%	1.50%	1.75%	1.75%	2.00%	-
5yr PWLB Rate	**Now**	**Dec-18**	**Mar-19**	**Jun-19**	**Sep-19**	**Dec-19**	**Mar-20**	**Jun-20**	**Sep-20**	**Dec-20**	**Mar-21**
Link Asset Services	**1.76%**	2.00%	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%
Capital Economics	**1.76%**	1.95%	2.03%	2.15%	2.40%	2.65%	2.70%	2.75%	2.80%	2.85%	-
10yr PWLB Rate	**Now**	**Dec-18**	**Mar-19**	**Jun-19**	**Sep-19**	**Dec-19**	**Mar-20**	**Jun-20**	**Sep-20**	**Dec-20**	**Mar-21**
Link Asset Services	**2.18%**	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%
Capital Economics	**2.18%**	2.30%	2.43%	2.55%	2.80%	3.05%	3.05%	3.05%	3.05%	3.05%	-
25yr PWLB Rate	**Now**	**Dec-18**	**Mar-19**	**Jun-19**	**Sep-19**	**Dec-19**	**Mar-20**	**Jun-20**	**Sep-20**	**Dec-20**	**Mar-21**
Link Asset Services	**2.80%**	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%
Capital Economics	**2.80%**	2.83%	2.96%	3.08%	3.33%	3.58%	3.53%	3.48%	3.43%	3.38%	-
50yr PWLB Rate	**Now**	**Dec-18**	**Mar-19**	**Jun-19**	**Sep-19**	**Dec-19**	**Mar-20**	**Jun-20**	**Sep-20**	**Dec-20**	**Mar-21**
Link Asset Services	**2.68%**	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%
Capital Economics	**2.68%**	2.65%	2.78%	2.90%	3.15%	3.40%	3.40%	3.40%	3.40%	3.40%	-

Link Asset Services Interest Rate View	Now	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
Bank Rate	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%
3 Month LIBID	0.68%	0.80%	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%	1.50%	1.50%	1.60%	1.70%
6 Month LIBID	0.78%	0.90%	1.00%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.70%	1.80%	1.90%
12 Month LIBID	0.95%	1.10%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%

APPENDIX 3 Economic Review (Link Asset Services)

GLOBAL OUTLOOK. World growth has been doing reasonably well, aided by strong growth in the US. However, US growth is likely to fall back in 2019 and, together with weakening economic activity in China, overall world growth is likely to weaken.

Inflation has been weak during 2018 but, at long last, unemployment falling to remarkably low levels in the US and UK has led to a marked acceleration of wage inflation which is likely to prompt central banks into a series of increases in central rates. The EU is probably about a year behind in a similar progression.

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

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

The world economy also needs to adjust to a sharp change in **liquidity creation** over the last five years where the US has moved from boosting liquidity by QE purchases, to reducing its holdings of debt. In addition, the European Central Bank has cut back its QE purchases substantially and is likely to end them completely by the end of 2018.

UK. The flow of positive economic statistics since the end of the first quarter this year has shown that pessimism was overdone about the poor growth in quarter 1 when adverse weather caused a temporary downward blip. Quarter 1 at 0.1% growth in GDP was followed by a return to 0.4% in quarter 2; quarter 3 is expected to be robust at around +0.6% but quarter 4 is expected to weaken from that level.

At their November meeting, the MPC repeated their well-worn phrase 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 declined to give a medium term forecast. However, with so much uncertainty around Brexit, they warned that the next move could be up or down, even if there was a disorderly Brexit. While it would be expected that Bank Rate could be cut if there was a significant fall in GDP growth as a result of a disorderly Brexit, so as to provide a stimulus to growth, they warned they could also *raise* Bank Rate in the same scenario if there was a boost to inflation from a devaluation of sterling, increases in import prices and more expensive goods produced in the UK replacing cheaper goods previously imported, and so on. In addition, the Chancellor has held back some spare capacity to provide a further fiscal stimulus if needed.

It is unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. Getting parliamentary approval for a Brexit agreement on both sides of the Channel will take well into spring next year. However, in view of the hawkish stance of the MPC at their November meeting, the next increase in Bank Rate is now forecast to be in May 2019. The following increases are then forecast to be in February and November 2020 before ending up at 2.0% in February 2022.

Inflation. The Consumer Price Index (CPI) measure of inflation has been falling from a peak of 3.1% in November 2017 to 2.4% in October. In the November Bank of England quarterly inflation report, inflation was forecast to still be marginally above its 2% inflation target two years ahead, (at about 2.1%), given a scenario of minimal increases in Bank Rate. This inflation forecast is likely to be amended upwards due to the Bank's inflation report being produced prior to the Chancellor's announcement of a significant fiscal stimulus in the Budget; this is likely to add 0.3% to GDP growth at a time when there is little spare capacity left in the economy, particularly of labour.

As for the **labour market** figures in September**,** unemployment at 4.1% was marginally above a 43 year low of 4% on the Independent Labour Organisation measure. A combination of job vacancies hitting an all-time high, 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 3.2%, (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates less CPI inflation), earnings are currently growing by about 0.8%, the highest level since 2009. This 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 was 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.

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. However, our central position is that Prime Minister May's government will endure, despite various setbacks, along the route to reaching an orderly Brexit in March 2019. If, however, the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary and fiscal policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

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 and 3.5%, (3.0% y/y), in quarter 3, but also an upturn in inflationary pressures. In particular, wage rates were increasing at 3.1% y/y in October and heading higher due to unemployment falling to a 49 year low of 3.7%. With CPI inflation over the target rate of 2% and on a rising trend towards 3%, the Fed increased rates another 0.25% in September to between 2.00% and 2.25%, this being the fourth increase in 2018. They also indicated that 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. However, a combination of an expected four increases in rates of 0.25% by the end of 2019, together with a waning of the boost to economic growth from the fiscal stimulus in 2018, could combine to depress growth below its potential rate, i.e. monetary policy may prove to be too aggressive and lead to the Fed having to start on cutting rates. The Fed has also been unwinding its previous quantitative easing purchases of debt by gradually increasing the amount of monthly maturing debt that it has not been reinvesting.

The tariff war between the US and China has been generating a lot of heat during 2018, but it is not expected that the current level of actual action would have much in the way of a significant effect on US or world growth. However, there is a risk of escalation. The results of the mid-term elections are not expected to have a material effect on the economy.

Eurozone. Growth was 0.4% in quarters 1 and 2 but fell back to 0.2% in quarter 3, though this is probably just a temporary dip. In particular, data from Germany has been 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 nearly 2% for 2018, the horizon is less clear than it seemed just a short while ago. Having halved its quantitative easing purchases of debt in October 2018 to €15bn per month, the European Central Bank has indicated it is likely to end all further purchases in December 2018. Inflationary pressures are starting to build gently so it is expected that the ECB will start to increase rates towards the end of 2019.

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. Progress has been made in reducing the rate of credit creation, particularly from the shadow banking sector, which is feeding through into lower economic growth. There are concerns that official economic statistics are inflating the published rate of growth.

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. It is likely that loose monetary policy will endure for some years yet to try to stimulate growth and modest inflation.

Emerging countries. Argentina and Turkey are currently experiencing major headwinds and are facing challenges in external financing requirements well in excess of their reserves of foreign exchange. However, these countries are small in terms of the overall world economy, (around 1% each), so the fallout from the expected recessions in these countries will be minimal.

INTEREST RATE FORECASTS

The interest rate forecasts provided by Link Asset Services are predicated on an assumption of an agreement being reached on Brexit between the UK and the EU. In the event of an orderly non-agreement exit, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall. If there was a disorderly Brexit, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably neutral.

- The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are broadly dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

One risk that is both an upside and downside risk, is that all central banks are now working in very different economic conditions than before the 2008 financial crash as there has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed for ten years since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could therefore either over or under do increases in central interest rates.

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

- **Brexit** – if it were to cause significant economic disruption and a major downturn in the rate of growth.

- **Bank of England monetary policy** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.

- A resurgence of the **Eurozone sovereign debt crisis**, possibly in **Italy**, due to its high level of government debt, low rate of economic growth and vulnerable banking system, and due to the election in March of a government which has made a lot of anti-austerity noise. At the time of writing, the EU has rejected the proposed Italian budget and has demanded cuts in government spending which the Italian government has refused. The rating agencies have started on downgrading Italian debt to one notch above junk level. If Italian debt were to fall below investment grade, many investors would be unable to hold it. Unsurprisingly, investors are becoming increasingly concerned by the actions of the Italian government and consequently, Italian bond yields have risen sharply – at a time when the government faces having to refinance large amounts of debt maturing in 2019.

- Weak capitalisation of some **European banks**. Italian banks are particularly vulnerable; one factor is that they hold a high level of Italian government debt - debt which is falling in value. This is therefore undermining their capital ratios and raises the question of whether they will need to raise fresh capital to plug the gap.

- **German minority government.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. Then in October 2018, the results of the Bavarian and Hesse state elections radically undermined the SPD party and showed a sharp fall in support for the CDU. As a result, the SPD is reviewing whether it can continue to support a coalition that is so damaging to its electoral popularity. After the result of the Hesse state election, Angela Merkel announced that she would not stand for re-election as CDU party leader at her party's convention in December 2018. However, this makes little practical difference as she is still expected to aim to continue for now as the Chancellor. However, there are five more state elections coming up in 2019 and EU parliamentary elections in May/June; these could result in a further loss of electoral support for both the CDU and SPD which could also undermine her leadership.

- **Other minority eurozone governments.** Spain, Portugal, Netherlands and Belgium all have vulnerable minority governments dependent on coalitions which could prove fragile. Sweden is also struggling to form a government due to the anti-immigration party holding the balance of power, and which no other party is willing to form a coalition with.

- **Austria, the Czech Republic and Hungary** now form a strongly anti-immigration bloc within the EU while **Italy,** this year, has also elected a strongly anti-immigration government. Elections to the EU parliament are due in May/June 2019.

- Further increases in interest rates in the US could spark a **sudden flight of investment funds** from more risky assets e.g. shares, into bonds yielding a much improved yield. In October 2018, we have seen a sharp fall in equity markets but this has been limited, as yet. Emerging countries which have borrowed heavily in dollar denominated debt, could be particularly exposed to this risk of an investor flight to safe havens e.g. UK gilts.

- There are concerns around the level of **US corporate debt** which has swollen massively during the period of low borrowing rates in order to finance mergers and acquisitions. This has resulted in the debt of many large corporations being downgraded to a BBB credit rating, close to junk status. Indeed, 48% of total investment grade corporate debt is now rated at BBB. If such corporations fail to generate profits and cash flow to reduce their debt levels as expected, this could tip their debt into junk ratings which will increase their cost of financing and further negatively impact profits and cash flow.

- **Geopolitical risks,** especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- **Brexit** – if both sides were to agree a compromise that removed all threats of economic and political disruption.

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

- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.

- **UK inflation,** whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

APPENDIX 4 Prudential Indicators

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

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

Interest Rate Exposures	**2018/19**	**2019/20**	**2020/21**
	Upper	**Upper**	**Upper**
Limits on fixed interest rates based on **net** debt	100%	100%	100%
Limits on variable interest rates based on **net** debt	100%	100%	100%
Limits on fixed interest rates:			
· Debt only	100%	100%	100%
· Investments only	100%	100%	100%
Limits on variable interest rates			
· Debt only	30%	30%	30%
· Investments only	100%	100%	100%

Maturity Structure of fixed interest rate borrowing 2018/19			
		lower	**Upper**
Under 12 Months		0%	100%
12 months to 2 years		0%	100%
2 years to 5 years		0%	100%
5 years to 10 years		0%	100%
10 years to 20 years		0%	100%
20 years to 30 years		0%	100%
30 years to 40 years		0%	100%
40 years to 50 years		0%	100%

Maturity Structure of variable interest rate borrowing 2018/19			
		lower	**Upper**
Under 12 Months		0%	30%
12 months to 2 years		0%	30%
2 years to 5 years		0%	30%
5 years to 10 years		0%	30%
10 years to 20 years		0%	10%
20 years to 30 years		0%	10%
30 years to 40 years		0%	10%
40 years to 50 years		0%	10%

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

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

Prudential Indicator: Financing Cost to Net Revenue Stream	**2017/18 Actual**	**2018/19 Rev.Est**	**2019/20 Estimate**	**2020/21 Estimate**	**2021/22 Estimate**
Financing Costs	£'000	£'000	£'000	£'000	£'000
1. Interest Charged to General Fund	925	1,366	1,983	2,296	2,394
2. Interest Payable under Finance Leases and any other long term liabilities	-	-	-	-	-
3. Gains and losses on the repurchase or early settlement of borrowing credited or charged to the amount met from government grants and local taxpayers	-19		0	0	0
4. Interest and Investment Income	-305	-366	-553	-834	-1,062
5. Amounts payable or receiveable in respect of financial derivatives	-	-	-	-	-
6. MRP, VRP	717	795	1,184	1,628	1,775
6. Depreciation/Impairment that are charged to the amount to be met from government grants and local taxpayers	-	-	-	-	-
Total	1,318	1,795	2,614	3,090	3,107
Net Revenue Stream					
Amount to be met from government grants and local taxpayers	13,373	13,034	13,034	13,389	13,673
Ratio					
Financing Cost to Net Revenue Stream	**10%**	**14%**	**20%**	**23%**	**23%**

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

Other Prudential Indicators

Internal Borrowing and Gearing ratios for the authority are included in the Capital Strategy. Additional prudential indicators will be developed as the forward capital plans of the authority are developed.

APPENDIX 5 Specified and Non-Specified Investments

Specified Investments:

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

Schedule A

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

Non-Specified Investments

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

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

Schedule B

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

APPENDIX 6 Approved Countries for Investments

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

Countries that meet our criteria 1, 2, 3, 4 (at 29.12.2018)

1. AAA
   - Australia
   - Canada
   - Denmark
   - Germany
   - Netherlands
   - Singapore
   - Sweden
   - Switzerland
   - U.S.A.

2. AA+
   - Finland

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

4. AA-
   - Belgium
   - Qatar

Examples of Countries that do not meet our criteria:

Japan
Kuwait
Greece
Spain

APPENDIX 7 Treasury Management Policy Statement

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

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

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

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

APPENDIX 8   Key Principles and Clauses formally adopted

The Code identifies three key principles:

Key Principle 1

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

Key Principle 2

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

Key Principle 3

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

Clauses formally adopted

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

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

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

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

2. This organisation (i.e. full board/council) will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid- year review and an annual report after its close, in the form prescribed in its TMPs.

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

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

APPENDIX 9 Treasury Management Scheme of Delegation

(i) Full Council

1. Approval of the Treasury Management Strategy - prior to the new financial year
2. Approval of the Investment Strategy - prior to the new financial year
3. Approval of the MRP Policy - prior to the start of the new financial year
4. Approval of any amendments required to the Strategy during the year
5. Receipt of a Midyear report on the Treasury Management Strategy, to include consideration of any recommendations of the Cabinet or Audit Committee arising from any concerns since the original approval.

(ii) Cabinet

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

(iii) Audit Committee

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

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

APPENDIX 10 The Treasury Management Role of the Section 151 Officer

Chief Finance Officer (S151 Officer) responsibilities

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

Additional Responsibilities following new Codes of Practice/ Investment Guidance

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Appendix 11 – CCLA – Diversified Income Fund

1. Performance

CCLA AUTHORISED CONTRACTUAL SCHEME
Prices & Dividend Yields

CCLA

	End of	Nov-18	Oct-18	Sep-18	Aug-18	Jul-18	Jun-18	May-18	Apr-18	Mar-18	Feb-18	Jan-18	Dec-17
Diversified Income Fund													
	Fund Size £m	129.69	129.76	128.76	107.89	98.58	89.04	89.07	83.30	76.90	76.40	75.00	73.83
Class 1	Price £	1.5449	1.5457	1.5641	1.5779	1.5579	1.5489	1.5495	1.5349	1.5087	1.5378	1.5451	1.5620
	Dividend on XD Date £			0.0120			0.0140			0.0120			0.0101
	Dividend - Last 12 Months £	0.0481	0.0481	0.0481	0.0482	0.0482	0.0482	0.0474	0.0474	0.0474	0.0513	0.0513	0.0513
	Dividend Yield on Price %	3.12	3.11	3.08	3.06	3.10	3.11	3.06	3.09	3.14	3.33	3.32	3.28
Class 2	Price £	1.4882	1.4890	1.5067	1.5205	1.5014	1.4926	1.4931	1.4794	1.4541	1.4823	1.4894	1.5057
	Dividend on XD Date £			0.0117			0.0134			0.0116			0.0098
	Dividend - Last 12 Months £	0.0465	0.0465	0.0465	0.0465	0.0465	0.0465	0.0458	0.0458	0.0458	0.0356	0.0356	0.0356
	Dividend Yield on Price %	3.13	3.12	3.09	3.06	3.10	3.12	3.07	3.10	3.15	3.11	3.09	3.06
Class 3	Price £	1.4966	1.4975	1.5152	1.5287	1.5095	1.5006	1.5010	1.4870	1.4616	1.4897	1.4969	1.5133
	Dividend on XD Date £			0.0117			0.0133			0.0114			0.0017
	Dividend - Last 12 Months £	0.0380	0.0380	0.0380	0.0264	0.0264	0.0264	0.0130	0.0130	0.0130	0.0017	0.0017	0.0017
	Dividend Yield on Price %*	3.06	3.06	3.02	2.98	3.02	3.04	2.64	2.67	2.71	**	**	**

Class 1 launch date: 02 December 2016
Class 2 launch date: 24 March 2017
Class 3 launch date: 01 December 2017

*Dividend Yield on Price % has been annualised.
**Dividend Yield on Price % will be calculated from 31 March 2018.

The units of the ACS and the income from them can fall as well as rise and an investor may not get back the amount originally invested. Past performance is no guarantee of future returns. The units are intended only for long-term investment and are not suitable for money liable to be spent in the near future. Units are realisable daily.

Source: CCLA

2. Background from Link Asset Services (HBC's Treasury Advisors)

3. The fund was set up at the back of 2016 and would only be suitable for long-term investment purposes. The fund is an Advanced Collective Scheme, which we think meets UCITs standards, so would be deemed revenue in structure.

4. Its primary objective is to return circa 3% through a diversified portfolio of assets. There is capital growth potential but it is not the fund's key focus.

They noted the following in June 2018

(i) Fixed Interest & Cash
- a. Cash is via their own MMF
- b. FI only in sterling
- c. Average credit rating of A so the fund will have exposure to "BBB" securities
- d. The manager currently has a cautious view on bonds…too expensive

(ii) Alternatives
- a. Identifying a wider universe of opportunities
- b. These may include student accommodation (long lease), aircraft leases (long lease), solar and wind farms (long lease), private equity funds, care homes / doctors' surgeries (long lease), property funds (but not CCLA one)
- c. Typical yields on these will be 6-8%

(iii) Equities
   a. Focus on quality, not higher yielding options
   b. For UK – focus on large companies with an international footprint
   c. Currently, largest exposure is to US equities
   d. Could hedge currency exposure, but would use forward transactions, not more complex derivatives
   e. All subject to ERI (Ethical Reputation Index) standards

(iv) While this is a new fund, they have managed similar for other clients (mainly charities and churches) for some time.

(v) Income paid out quarterly at end of Feb, May, Aug, Nov

5. Any investor should check on the individual underlying equity holdings (potentially significant volatility) to see exactly what kind of exposures they are looking to include, particularly as cumulatively around 50% of the fund is in rather volatile assets, being equity and property based.

6. The other 50% of the fund is in income based products which are subject to interest rate risk. Previously, we have assumed that typical c10% cash holding provides for scope to take advantage of any new opportunities they spot.

7. The Key Investor information that CCLA has on the website provides some further points. No stand-alone derivatives, although they will manage FX exposure with efficient techniques. There will be no borrowing.

8. The minimum investment is £1m and the annual management charges are a net 60bps, consistent with other property fund management charges. The dilution levy charge is, however, much lower than property fund charges, which can be 5% on exit and entry (0-1.5% estimated in this case).

9. T+2 settlement provides reasonable liquidity and is similar to an ultra-short dated bond fund.

10. The fund is at present around £100m in size. The characteristics of these types of fund is strong diversification and a strong risk/return relationship.

11. The dividend yield typically of 3-3.5% would be similar to investment grade/ slightly lower than FTSE All-Share returns. The returns overall may be quite similar to a property fund, but its returns would be more capital based than property, which tends to give c4-5% from the funds we look at. They are committed to rising dividends on a nominal basis.

Appendix 12 CCLA Diversified Income Fund - Fact Sheet

CCLA

Diversified Income Fund Unit Class 2 - For local authorities and public sector organisations

Fact Sheet – 30 June 2018

Investment objective

To provide a balanced return from income and capital growth over time from a portfolio structured to control relative risk.

Investment policy

The portfolio will be actively managed and may invest in a wide range of potential assets. The control of relative risk will be an important influence on structure and strategy.

Suitability

The Fund is suitable for long term investors seeking a balanced return of income and capital growth for whom control of relative risk is important.

Who can invest?

Any local authority and public sector investor in England, Wales, Scotland and Northern Ireland. Investors should note that there is a minimum investment in the Fund of £1million.

Responsible investment policy

Information about the ethical and responsible policies to be followed by the Diversified Income Fund is available from the Investment Manager's website www.ccla.co.uk.

Income

The Fund distributes income on a quarterly basis. As at 30 June 2018 the dividend yield on price was 3.12%. This is based on the last 12 months' dividend of 4.65p.

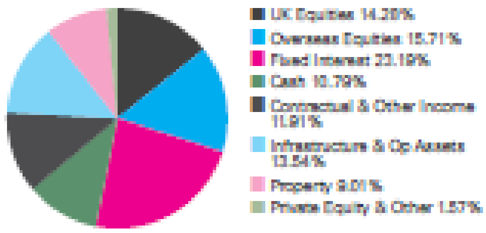
Fund update

The Fund has an actively managed, balanced portfolio diversified across a wide base of good-quality assets.

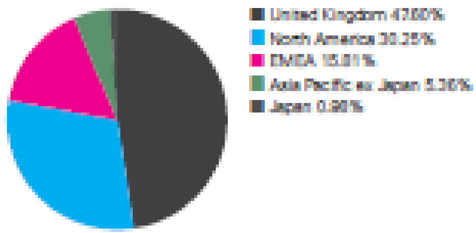
The domestic bond weighting is below that of the benchmark and there is a defensive bias to the securities held, reflected in a maturity profile which is significantly shorter than that on the benchmark. The equity holdings have a bias towards international exposure, both in terms of direct overseas investments and UK companies with a strong global presence. The focus is on robust finances and growth potential, independent of broad economic trends. The result is a relatively high weighting to sectors such as IT and a modest exposure to traditional income sectors such as energy and utilities. The Fund has a high allocation to non-traditional asset classes including infrastructure, alternative energy and contractual income sources such as leasing. Investments such as these make an important contribution to the Fund's income and help control risk by improving diversification.

Recent activity has included increasing the property weighting and introducing an exposure to short-dated US government bonds. In the current environment, these are seen as an attractive alternative to cash.

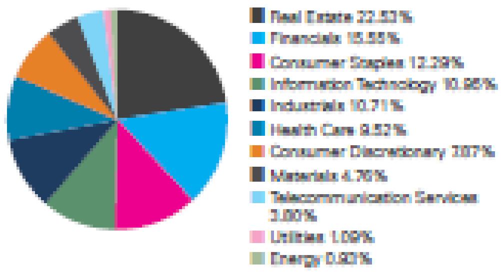
Asset allocation at 30 June 2018



Equity portfolio geographical breakdown at 30 June 2018



Equity portfolio sector breakdown at 30 June 2018



Discrete year total return performance (gross)

12 months to 30 June	2018
Diversified Income Fund - Unit Class 2	+2.24%
Comparator	+4.13%

Comparator – composite: from 24.03.17 MSCI UK IMI 20%, MSCI North America 6.67%, MSCI Europe ex UK 6.67%, MSCI Pacific 6.67%, Markit iBoxx £ Gilts 30% & Markit iBoxx £ Non-Gilts 30%. Source: CCLA. Past performance is not a reliable indicator of future results.

Most overweight companies relative to equity indices at 30 June 2018

F&c Uk Real Estate	5.76%	Accenture	1.61%
Hkt Trust and Hkt Ltd	2.11%	Informa	1.57%
Relx	1.64%	Prologis	1.56%
Pfizer	1.62%	Taiwan Semiconductor	1.49%
Microsoft	1.62%	Medtronic	1.45%

Key facts

Fund size	£89m
Number of holdings	170
Price	£1.49
Fund launch date	2 December 2016
Unit Class 2 launch date	24 March 2017
Minimum initial investment	£1m
Minimum subsequent investment	£25,000
Dealing	Daily*
Sedol number	BDS68Q2
ISIN number	GB00BDS68Q24
Dividend payment dates	End February, May, August & November
Annual management charge (taken 100% from capital)	0.60%

*The Dealing Deadline is normally 12 noon London time on a Dealing Day. The Valuation Point is normally 3pm on a Dealing Day.

Draft Capital Strategy (2019/20)

Introduction

1. The CIPFA revised 2017 Prudential and Treasury Management Codes require, for 2019-20, all local authorities to prepare an additional report, a capital strategy report, which seeks to provide the following:

   - a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
   - an overview of how the associated risk is managed
   - the implications for future financial sustainability

2. The aim of this capital strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

3. This capital strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the capital Strategy and the budget report. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset.

4. The capital strategy seeks to identify:

   - The corporate governance arrangements for these types of activities;
   - Service objectives relating to the Capital expenditure;
   - The expected income, costs and resulting contribution;
   - The debt related to the activity and the associated interest costs;
   - The payback period (MRP policy);
   - For non-loan type investments, the cost against the current market value;
   - The risks associated with each activity.

5. Where a physical asset is being bought, details of market research, advisers used, ongoing costs and investment requirements and any credit information will be disclosed, including the ability to sell the asset and realise the investment cash.

6. To demonstrate the proportionality between the treasury operations and the non-treasury operation, high-level comparators are identified.

7. The Capital strategy, and in particular the capital programme supports the Council's Corporate plan and is closely tied to the Medium Term Financial Strategy and the budget. The Capital Strategy is required to be compiled for a longer timeframe – generally 10 to 20 years although not specified.

8. The Council's future spending plans are evolving and as such the Capital Strategy and other strategies will need to be re-determined by full Council when the future plans are sufficiently robust. The report does detail the Council's borrowing commitments until 2061/62 that result from past and current capital programmes. This will help to inform the affordability question as to the level of capital expenditure and borrowing that can be contemplated in the future.

High Level Overview of how Capital Expenditure, Capital Financing and Treasury Management Activity Contribute to the Provision of Services

9. As detailed in the Council's Medium Term Financial Strategy (MTFS), the Council continues to face major reductions in government grants (see budget report elsewhere on the agenda). The Council seeks to use capital investment in the borough to not only achieve key corporate objectives but also to generate additional income in order to continue to provide services to its residents. The expenditure plans for the next three years are detailed below along with the expected outcomes.

Capital Expenditure 2019/20

10. The Council's Capital programme amounts to some £19.251m (£16.656m net of grants and contributions) in 2019/20.

The major areas of expenditure include:

(i) Loans to the Council's housing company (£5m).
The outcomes being to assist in the provision of overall housing supply, whilst generating a surplus for the Council after borrowing and management costs of some 2% (net) i.e. some £20,000 per £1m borrowed. The surplus being used to support service provision to the residents of the borough.

(ii) Energy Initiatives – Solar Panels (£1.66m) & Ground Mounted Solar
In line with the strategic priority of a greener town the Council is installing roof mounted solar panels in order to supply the Council with its own energy, supplying energy to Council owned assets including commercial tenants and thus providing tenants with the option of a cheaper and greener energy supply. The potential ground mounted solar project in 2019/20 consists of a number of feasibility reports (£84,000). If positive then an investment of some £2.1m may result in 2020/21 providing cost savings and an income stream to the Council.

(iii) Commercial Property (311-323 Bexhill Road) (£4.7m)
In line with the strategic priority of economic and physical regeneration this is the Council's final instalment for the site, which is expected to be completed in the autumn of 2019. The completed units are expected to provide some 50 new jobs as well as secure new income and business rates for the Council, which in turn will help to sustain services within the borough.

(iv) Housing – Temporary Accommodation (£2.5m)
In line with the strategic priority of providing decent homes, the Council is seeking to acquire temporary accommodation, not only to secure accommodation in Hastings, but also to make savings on leasing costs.

(v) Priory Meadow Contribution to Capital works (£126,000)
The Council owns 10% of the priory Meadow shopping centre. The money represents its share of the estimated capital investment costs (this may potentially fall into 2018/19 or 2019/20). The Council receives 10% of the net income for the centre which provides a significant contribution towards meeting the service costs of the council.

(vi) Conversion of 12-13 York Buildings (£602,000)
In line with the strategic priority of providing decent homes, the Council is seeking to create 6 flats above the existing shop premises in this grade 2 listed property. The space has been unused for many years, there is a clear housing need, businesses face difficult trading conditions, and the Council can only contemplate such a regeneration project given its access to low borrowing rates. The costs of borrowing are expected to be covered by the future rental streams – but with no additional income stream for the Council.

(vii) Country Park Interpretive Centre (£662,000)
In line with the strategic priorities of a greener town, protecting and enhancing biodiversity, as well as a more attractive town, this new straw build project attracts 60% European funding. A new centre will benefit residents and visitors.

(viii) Playgrounds Upgrade (£102,000)
In line with the strategic objective of an attractive town, this is the continuation of a programme of upgrades, which carries on into 2020/21.

(ix) Direct Service Organisation (DSO) – (£1,036,000)
In line with the strategic objective of an attractive town the Council is providing the Street Cleaning service itself from July 2019. The Capital programme includes conversion building works as well as vehicle acquisition costs.

(x) Pelham Crescent – Building Works and Road (£296,000)
In line with the strategic priority of an attractive town, the council is working with property owners to restore the crescent and roadway. Much of the work is conditional on receipt of external grants and contributions, and works to the road may not be completed until 2021.

(xi) Priory St Multi Storey Car Park (£120,000)
In line with the strategic priorities of an attractive town and economic and physical regeneration, the Council needs to maintain the multi storey car park. This relatively small project will extend the useful life of the car park by some five years.

(xii) Sea Defences (£488,000 & £75,000 groyne refurbishment)
Preserving sea defences and the town is a key priority. This work is mostly 100% grant funded. The Council funds the groyne refurbishment works and sets aside £35,000 p.a. for this. In 2019/20 there is an additional carry forward of funds from prior years.

(xiii) Public Realm (£50,000)
In line with the strategic priorities of an attractive town, the Council sets aside £50,000 annually to seek to maintain the fabric of the town e.g. signposting, benches, seats, planters, highway and lighting improvements.

(xiv) Disabled Facility Grants (£1.5m (est) – all grant funding)
Property related grants for adapting homes. In 2018/19 the Council will receive funding approaching £1.9m. The figure for 2019/20 is as yet unknown.

(xv) Empty Homes (£100,000)
In line with the strategic priorities of creating decent homes and intervention where it is needed, the Council seeks to compulsory purchase properties that are long term empty, in order to bring much needed homes back into use.

Capital Expenditure 2020/21

11. The main areas of expenditure in 2020/21 are energy (£2.1m potentially for ground mounted solar), loans to Hastings Housing Company (£3.5m), Disabled Facility Grants (£1.5m), Playgrounds (£50,000), Public Realm (£50,000), Groyne refurbishment (£35,000), Empty Homes (£50,000)

Capital Expenditure 2021/22

12. The main areas of expenditure are currently Energy Generation (£2.116m), Public Realm (£50,000), Groyne Refurbishment (£35,000), Disabled Facility Grants (£1.5m).

Summarised Capital Expenditure and Funding (2018-19 (Revised) to 2021-22)

13. The table below shows a summary of the expenditure for the current and next three years, along with the projected borrowing requirements.

	Revised 2018/19 £'000s	2019/20 £'000s	2020/21 £'000s	2021/22 £'000s
Gross Capital Expenditure	26,312	19,251	7,347	3,736
Net Capital Expenditure	22,456	16,656	5,808	2,236
Financing from own resources	1,004	780	208	120
Borrowing Requirement	21,452	15,876	5,600	2,116

Financing the Capital Programme

14. The Council can invest in a capital programme so long as its capital spending plans are "affordable, prudent and sustainable".

15. The main sources of finance for capital projects are as follows:

- Capital receipts (from asset sales)
- Capital grants (e.g. Disabled Facilities Grant)
- External contributions (e.g. Section 106 developers' contributions)
- Earmarked Reserves
- Revenue contributions
- Borrowing (up to Capital Financing Requirement limits).

16. Borrowing (or Capital Financing Requirement) makes up the most significant element. Whilst the Council still has cash and investment balances it is able to internally borrow for short periods. In the future, with lower levels of reserves it will need to borrow externally; this will add to the estimated £60m which will have been borrowed by 31 March 2019.

17. The Capital Financing Requirement is reduced over the life of individual assets by an annual contribution from revenue (Minimum Revenue Provision). Further information including borrowing forecasts, the provision for the repayment of debt, and borrowing limits are set out in the Treasury Management Strategy. The table below shows the projected indebtedness of the Council based on the current Capital programme and expected levels of capital receipts, grants and contributions.

Table: Capital Financing Requirement (CFR) less Minimum Revenue Provision (MRP)

CFR	2018/19 (Adj. Est)	2019/20 (Est)	2020/21 (Est)	2021/22 (Est)	2022/23 (Est)
	£	£	£	£	£
CFR-Opening	39,493,000	60,150,000	74,842,000	78,814,000	79,155,000
Less MRP	-795,000	-1,184,000	-1,628,000	-1,775,000	-1,875,000
Plus, New Borrowing	21,452,000	15,876,000	5,600,000	2,116,000	0
CFR Closing	60,150,000	74,842,000	78,814,000	79,155,000	77,280,000

18. The table highlights that by 2020/21 the level of debt will have increased to some £78.8m. This figure could be up to £4.5m higher if commercial property purchases in the pipeline complete.

Revenue Consequences of the Capital Programme on the General Fund

19. Not all projects provide savings or generate income but, aggregate, the capital programme is forecast to have a positive net benefit to the General Fund.

20. The majority of the Capital programme has a positive impact on the ongoing resources for the Council. The Schemes listed (i) to (v) in the Capital programme for 2019/20 all contribute a surplus to the General Fund. The income generation strategy projections are included in the main budget report.

21. Borrowing has long term revenue consequences. The table below shows the projected levels of debt up to 2061/62 as a result of the Council’s current and past programmes. The debt is reduced by the MRP each year. The overall level of debt needs to be viewed against the overall Long Term Assets of the authority which stood at £141.89m as at 31 March 2018.

Table: Total Borrowing (£) and Repayment Projections (2017-18 to 2061/62)

Financial Risk Management

22. The treasury management strategy outlines in some detail the economic environment and the risks that the Council faces in managing its investments and borrowing activities

23. A significant proportion of the Council's capital programme is likely to be financed by borrowing and this exposes the Council to the risk of changing interest rates and the ability to afford debt repayments.

24. Where borrowing finances commercial property the Council is increasingly dependent upon the income streams to finance the debt repayments. No matter how good the tenants, and how much of the debt is at fixed rates, there is a limit to the exposure that is acceptable without putting the Council at complete risk of being unable to provide key services in the event of a significant recession.

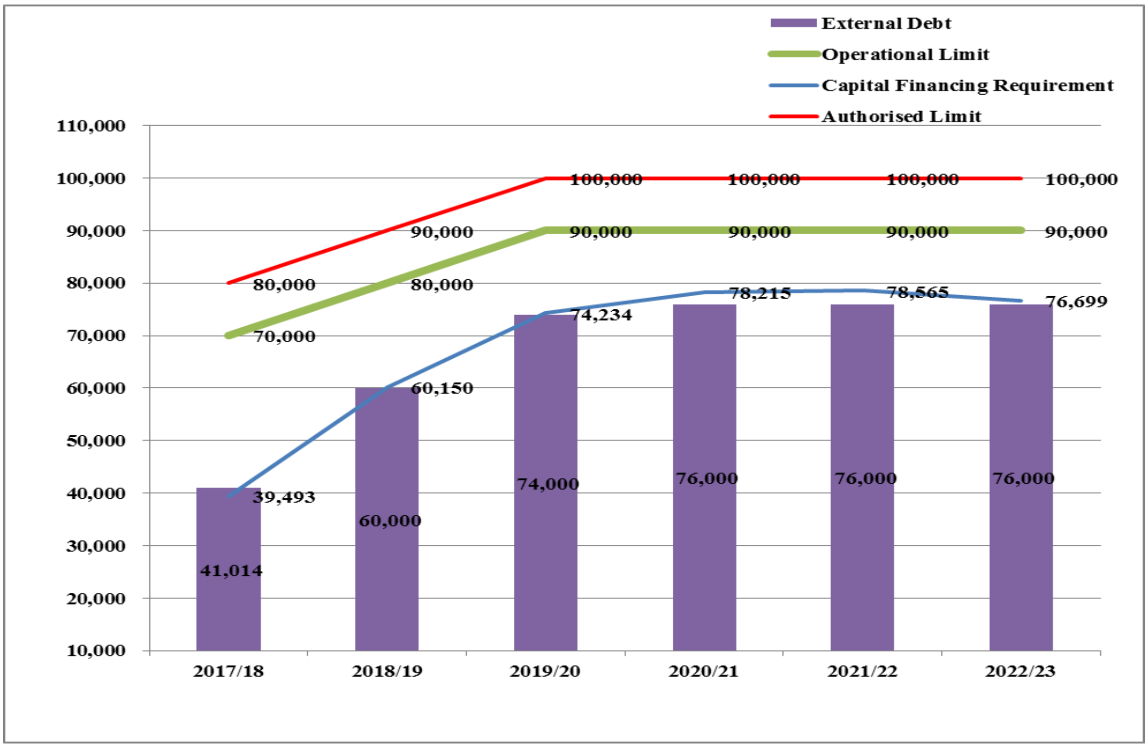
25. To arrive at an overall borrowing level (Authorised and Operational borrowing limits), the Council needs to take a considered view of its other potential liabilities, future borrowing requirements, guarantees and loans given, bad debts, claims against the Council , future funding, and security and diversity of the existing income streams.

26. Based on the existing Capital programme, by 2021/22 annual interest on debt will amount to some £2.4m p.a. with capital repayments approaching £1.9m, offset by investment income of just over £1m. This represents 23% of the net revenue stream (amount met from government grants and local taxpayers).

27. The full Council determine the total limits on borrowing.

28. The graph below demonstrates the relationship between the various boundaries and limits and the actual borrowing undertaken to date or planned. The gap between the external debt and CFR also helps to illustrate the level of internal borrowing and potential interest rate exposure. The gap between the CFR and Operational Boundary/Authorised Limit highlights the potential scope/flexibility to borrow further, if the cashflow and treasury management position dictates.

Table: External Debt, Authorised limits and CFR Projections



29. In terms of cash backed investments, the Investment Policy provides strict guidance on the counterparties the Council is prepared to invest with and for what periods. The Council invested £2m in a property fund (CCLA) in April 2017 and may look to invest a further tranche of monies in a diversified investment fund in 2019/20.

30. In terms of asset backed investments and projects e.g. involving commercial property and housing, the business cases will look to identify the alternative options and uses of the premises should they become vacant. The Council increased the minimum level of reserves held in recognition of the fact that there will inevitably be void periods, and expenditure will be incurred in updating properties from time to time in order to re-let them. Where the Housing Company is concerned it will need to retain sufficient working balances to re-let and refurbish properties. It is important that void periods are minimised and that properties acquired are not inherently defective.

31. Some projects such as the solar panel installations have some asset backed values, but the ability to meet the debt repayments from energy savings and sale of the surplus energy will remain a risk unless long term forward sale agreements are made. However such long term agreements come at the cost of not necessarily obtaining the maximum income. A balance of risk and reward needs to be achieved. Given the predicted trends in energy prices for the long term the business cases for energy generation look positive.

Loans and Guarantees

32. The Council is required to maintain a schedule of loans and guarantees to other organisations.

Table – Loans to Other Organisations

3rd Party Organisations	Rate/ Return (%)	Start Date	End Date	Principal O/S @ 30.9.2018 £	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	17/12/2025	19,304	Annuity
			Total	2,037,122	

33. In addition to these loans the Council is in the process of arranging a loan to Freedom Leisure who manage the Council's Summerfields Leisure centre in respect of a new climbing wall (some £134,000) as agreed by cabinet in April 2018.

34. The above table excludes the loans to Hastings Housing Company (wholly owned by the Council), which are of both a Capital nature (as per the capital programme) and of a revenue nature (e.g. day to day costs, costs that can-not be capitalised). The latter loans are made on a daily interest basis and reflect the net indebtedness of the company on any one day.

35. The Housing Service provides loans to individuals for rental deposits and the Council also provides a limited loan facility to staff for car loans, season tickets, and bicycle loans.

36. The Council has other liabilities that need to be considered when assessing the overall financial position of the Council e.g. potential legal claims, pension liabilities and a guarantee to the theatre management company of £80,000 should redundancy payments become liable at the end of contract.

Reserves

37. The Council maintains reserves for specific purposes (earmarked reserves) and also a general reserve for unavoidable future liabilities. An absolute minimum level of reserves to be maintained has been set at £6m. The adequacy of the reserve levels are reviewed on a regular basis, and particularly when determining the budget.

38. The Council's General and earmarked reserves are set to fall further over the forthcoming 18 months. The balance at 1 April 2018 was some £18m. At the 31 March 2019 the projected balance is some £16m with the balance at the end of 2019/20 amounting to some £12m (excluding Clinical Commissioning Group and Disabled Facility Grant monies).

39. The reduction in balances will result in less interest being earned on investments, greater short term borrowing to match cash flow requirements, along with the need to match future renewal and repair commitments to available resources. If general reserves are used to a significant level to finance emergency or non avoidable expenditure then future budget cuts (potentially in-year) will be required to restore reserves to minimum levels.

Risk Appetite & Prudential Indicators

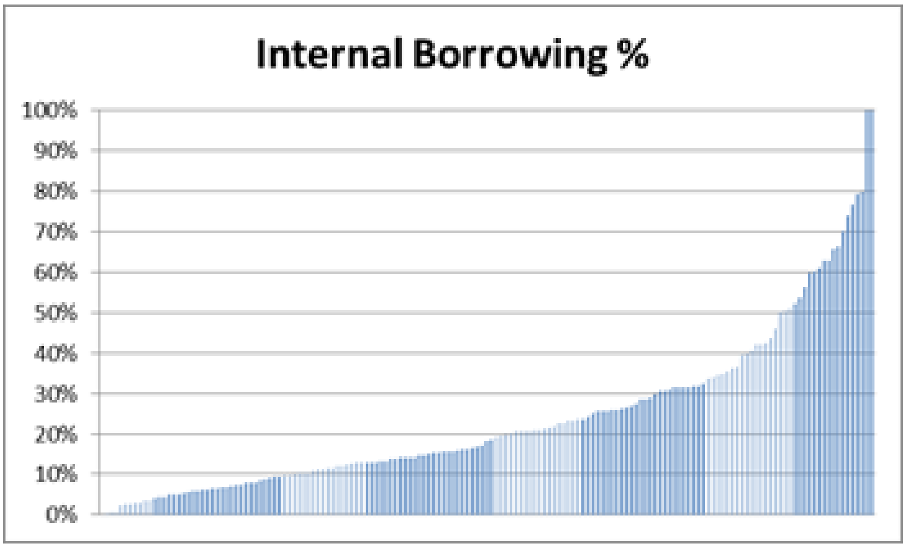
Internal Borrowing

40. When undertaking Capital projects or purchasing new assets, the Council has a number of options as to when and how to finance these. If there are no grants or revenue resources and no capital receipts the Council will finance by borrowing. If it delays the borrowing then it will be using its own monies (Internal borrowing - generally reserves) to temporarily to fund the assets.

41. If an authority has a large internal borrowing position, this will mean that reserves and balances have temporarily been used to support borrowing positions and therefore the reserves will not be backed by cash in the bank. This position continues to work for many, but as reserves and balances are utilised in the years ahead and balances fall, this will reduce any ability to internally borrow and

may bring forward the need to borrow externally (potentially at a time of high interest rates, or when there is limited ability to borrow externally).

Table showing comparative levels of Internal borrowing in Councils (Link Asset Service's Client Base)



42. The Council's Treasury advisers have undertaken a review of client's balance sheets and the average level of internal borrowing is, from the above graph, around 20%. The level will vary depending upon when an authority finances expenditure and when debt is refinanced.

43. **HBC's current level of internal borrowing is near 0%.** The Council has sought to achieve near full financing of the Capital programme over the last two years in order to take advantage of the historically low borrowing rates and avoid the risk of having to lock into high interest rates when it has no option but to borrow.

44. For 2019/20 the Council will seek to ensure the minimum cash balance is 60% of the year end reserve level with a minimum of £6m retained in cash i.e.40% maximum used for internal borrowing until such time as external borrowing is arranged.

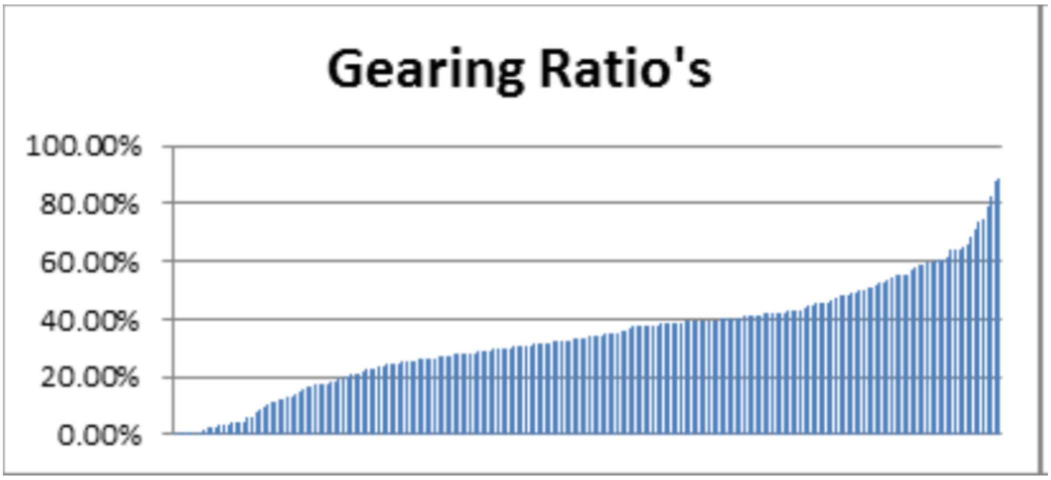
Gearing

45. Gearing has predominantly been a debt metric used by the private sector more than the public sector, but recent moves towards commercialism opportunities and investments means that borrowing is a much greater risk and gearing is an appropriate prudential indicator.

46. Based on Link Asset Services' analysis of balance sheet positions for 2017/18, gearing ratios for over 200 authorities averages out at around 35% when comparing **Capital Financing Requirements (CFR)** to total **Long-term Assets** reported.

47. Due to the nature of assets held, services provided and historical debt decisions, positions will vary across different types of authority.

Table Showing Comparative Gearing Ratios in Other Councils (Link Asset Service's Client Base)



48. Gearing provides an early indication of where debt levels are rising, relative to long-term assets held.

49. Despite some of the adverse publicity around local authority finances, it can be argued that gearing of 35%, on average, is not a bad position for the sector to be in, as in simple terms 65% of the costs of long-term assets have been paid for, with debt outstanding on the remaining 35%.

50. **For Hastings, the gearing ratio of debt (CFR) to long term assets is set to increase from 28% in 2017/18 to 42% in 2020/21** (assuming no changes to asset valuations and the Capital programme is completed). When compared against the **net assets** of the authority the ratio increases to some **93%.**

51. In the private sector, gearing is generally calculated on net assets and a generally accepted norm is a ratio between 25% and 50%. The risk exposures are generally deemed to be greater where a company has much of its borrowing at variable rates – which is the opposite to the Council's current position.

52. **Table showing Future Projections of Gearing Ratios – based on the existing Capital programme**

Gearing Calculations	Actual	Estimates					Operational Boundary
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Capital Expenditure (net)		22,405	16,656	5,808	2,236	-	
New borrowing		21,452	15,876	5,600	2,116	-	
Net Assets	82,285	83,238	84,018	84,226	84,346	84,346	84,346
Long Term Assets	141,890	164,295	180,951	186,759	188,995	188,995	201,681
Capital Financing Requirement	39,493	60,150	74,843	78,816	79,188	77,314	90,000
RATIOS:							
Debt: Net Assets	**48%**	**72%**	**89%**	**94%**	**94%**	**92%**	**107%**
Debt: Long Term Assets	**28%**	**37%**	**41%**	**42%**	**42%**	**41%**	**45%**

53. The Council's position will move from being just below the average to just above it. If the Council borrowed at the limits to its current Operational boundary (£90m), then debt to long term assets ratio would rise to 45%.

54. At the end of the day, any outstanding debt comes back to affordability, prudence and sustainability principles which are at the heart of the Prudential Code and have been since its inception in 2004.

55. The Chartered Institute of Public Finance and Accountancy have issued a clear statement on the levels of debt that Councils in general are accumulating following the purchase of commercial assets in particular. Such borrowing must be proportionate to the size of the authority. Further detailed guidance was expected to be released before the end of 2018, and at the time of writing is still awaited. The government have also advised that they are in discussions with the Treasury on lending to local authorities – resulting from the activities of a few.

56. Any new limitations on accessing PWLB monies could have significant implications for the Council.

Ratio of Financing Costs to Net Revenue Stream

57. Financing costs are the element of the budget which an authority is committed to, even before they have run a single service or incurred any other costs as they reflect the current costs of previous/planned capital financing decisions.

58. In Hasting's case the ratio of financing costs represents 23% of the Net Revenue Stream, which only leaves 77% of the revenue stream for all the other services to be provided. The higher the percentage, therefore, the less is left for running services.

59. If the Net Revenue Stream is reducing, as funding sources are reduced over time, then even though financing costs may be fixed through fixed-term loans and

interest rate certainty, the ratio will potentially continue to climb leaving less available for front-line services and placing further pressures on budget positions.

60. However, the income the Council receives from rents and fees and charges decreases the net expenditure of the Council. The calculation of debt charges to “the amount to be met from Grant and Collection Fund” as a proxy for the “Net Revenue Stream” therefore has to be treated with considerable caution.

61. This leads back then to local decision making and the need/objectives behind capital investment. Business cases must identify ongoing revenue implications and hence affordability. The Treasury Management Strategy includes a prudential indicator that identifies the ratio of financing costs to Net Revenue Stream (please See Appendix 4 for the detailed calculation). This is a further way of ensuring that affordability, prudence and sustainability considerations are kept to the fore in treasury reporting.

Future Capital Expenditure – What is not yet included in the Capital Programme or within the Borrowing limits?

The Council’s expenditure plans are evolving and a revised Capital Strategy will be produced during the year.

Bexhill Road – lower tier site

62. The site having the potential for some 170 new homes. In October 2018 cabinet approved the progression of this project. Namely that the council enter into an agreement with Homes England to access the Local Authority Accelerated Construction fund to enable plans for flood remediation and other infrastructure measures to be undertaken.

63. The cabinet also agreed £25,000 be identified from general reserves to fund taxation and legal advice for setting up a joint venture.

64. A further report on funding requirements is to follow. The Council’s contribution would, as a minimum, be the value of the remediated land but there may well be a call for development funding beyond this.

Industrial Units – Churchfields Estate (Sidney Little Road)

65. The Council has a substantial plot of undeveloped industrial land. There is potential to develop the site, namely:

Plot 1 – 28 Starter Units
Plot 2 – 35 Square foot factory
Plot 3 – 3 to 8 factory units (flexible sizes)

66. The initial estimates identified construction costs for the 3 sites at some £9.3m. Given the current rentals chargeable in Hastings, the sites are not viable without

external funding. Funding has been applied for in respect of the 28 starter unit site and a report will be presented to cabinet shortly. The outcome of the funding application should be known by April. There will be the opportunity to bid for further development funding thereafter.

Development Sites – HBC Land

67. The Council has a number of sites that are suitable for development and/or disposal. Namely,

- Harrow Lane - £27m construction costs (140 units)
- Mayfield E - £7.3m construction costs (38 units)
- Bexhill Road -Land rear of 419- 447 Bexhill Rd - £2.9m construction costs (16 units)
- Sandrock - (£2.2m (10 units) to £15.6m (81units) construction & site acquisition costs

68. If the Council sought to develop all these sites at the same time and did not phase the developments the borrowing requirement would be between £39.4m and £52.8m.

Bohemia

69. The Travel lodge site looks likely to progress to redevelopment, along with the construction of a significant number of new properties.

70. Whilst feasibility studies are ongoing, the major attraction for developing this area would be a new sports and leisure complex. Whilst it is not known whether this is financially viable the Council would have the option of funding this itself, in which case it could be looking for financing (borrowing) of up to an estimated £20m.

Commercial Property/ Housing/Energy Initiatives

71. The income generation strategy identified a £50m programme over a three period. £29m earmarked for commercial property, £15m for housing and £6m for energy initiatives (£2.116m of which is not earmarked). These figures are all included in the capital programme.

72. The income generation strategy approved in September 2017 is subject to review, with a report to Cabinet in early 2019/20.

Corporate Governance Arrangements – Project Approval Process

73. The Council has an ambitious Corporate Plan, and it remains important that the capital programme remains realistic in terms of resources and timescales to achieve the desired outcomes.

74. The Council has a number of project management procedures and tools in place for managing individual projects. Key is the project initiation stage, the approval process and thereafter effective performance monitoring and reporting. A business case is required in most instances, and/or a detailed report to cabinet/Council.

75. Major projects are likely to have impacts on other key services such as Legal, Finance and Estates teams depending upon the nature of the projects. External support is commissioned where there is insufficient capacity, knowledge, or expertise within the Council. Cabinet and the Overview and Scrutiny Committee receive quarterly updates on financial performance (including the capital programme).

76. The Council established an Income Generation Board to oversee Income generation activities and provide advice to Cabinet. The Board reviews strategy and progress and receives details of new proposals, such as:-

    (i) any proposed commercial property purchases where there is potential income generation.
    (ii) Energy Projects
    (iii) Housing
    (iv) Other e.g. lottery project

77. Commercial Property purchases are approved by Cabinet, with delegated authority normally provided thereafter to the Chief Finance Officer in consultation with the leader to negotiate the final terms. The Council's legal team, surveyors and Corporate Property Officer are all closely involved. The Council will normally employ the services of an agent to advise on the price and conduct negotiations. Necessary due diligence is conducted and externally specialist surveyors and advisors employed as necessary. The Council has had a large property portfolio for many years. More recently it has acquired a number of commercial sites within the borough as well as developing its own. As at 31 March 2018 the Council's Long term Assets were valued at some £140m whilst debt (CFR) amounted to some £39m.

78. In terms of Housing, the Council has set up its own housing company (Hastings housing company) which is wholly owned by the Council. It acquired its first property in March 2018. The company has its own set of procedures, which generally mirror the due diligence requirements of the Council. The Council lends money to the company at a margin above its own borrowing costs, with the minimum rate being the EU prescribed market rate. The housing company produces annual accounts.

Repair and Renewal Programme

79. The Council has a comprehensive repair and renewal programme. There are elements of a reactive and recurring nature and a separate costed schedule for planned maintenance items (See budget). The Council contributes an annual sum of £508,000 to a reserve which funds the programme. In 2018/19 the expected spend amounts to £806,000 and in 2019/20 is estimated at £874,000. As a result of expenditure exceeding income the balance on the reserve is expected to fall to some £963,000 by the end of March 2020.

Information Technology Reserve

80. Like most Councils and businesses the Council is totally reliant on effective IT in order to deliver services. The Council is continuously improving systems and looks to streamline service provision wherever possible. Business continuity planning remains vital against the continuing systems attacks that are experienced, and it remains critical that systems and virus protection software remain updated.

81. Like the Repair and Renewal programme the costs of acquiring and the updating of systems does not fall uniformly in any one year and hence an annual contribution is made into an IT Reserve.

82. The Council contributes £214,000 p.a. into the fund. In 2018/19 the expenditure is estimated at £311,000 and in 2019/20 at £239,000 (Please see Budget report – February 2019)

83. As a result of costs exceeding income the balance on the fund is expected to fall to £31,000 by the end of March 2020.

Knowledge, Skills and Training

84. In order to deliver the Capital Programme it is essential that the Council has access to the right knowledge and skills. The Council employs fully qualified and experienced staff such as solicitors, estate managers, surveyors and accountants.

85. The Council maintains a training budget, recognising that it remains critical to the organisation to have a well trained and motivated workforce. The Council provides on-line training courses, internal and external training, to enable staff to complete their Continuing Professional Development (CPD) requirements.

86. The Council seeks to ensure members have access to training opportunities in order for them to adequately undertake their governance role. Workshops and training events are held on a regular basis.

87. Where specialist knowledge is required the Council will obtain expert advice, particularly around property specialisms, taxation, and legal advice.

Summary

88. The Council, which has significant deprivation levels, understandably has an ambitious Corporate Plan. This is set against a background of severe funding reductions, and the need to provide good services to the many visitors, residents and businesses.

89. The Capital programme is heavily reliant on borrowing, and will continue to be so especially given that the Council is looking to develop its own land. The benefit of doing so is to ensure new homes are built and the profit generated remains within the borough.

90. The Council may well wish to progress the development of its own land rapidly following outline planning permission. Given the scale of the developments, the current risks to the economy the Council will need to determine a strategy for the development of these sites that takes accounts of the risks, the timing of other developments in the borough and whether or not some sites should be phased.

91. The Council's existing borrowing levels are not considered excessive. However a downturn in the economy with resultant loss of income would require the Council to make greater service cuts to balance the budget. With some £14m of income from fees and charges (including rents) a small reduction has significant implications if prolonged. Whilst the Council still has significant reserves these are predicted to fall rapidly as the Council is using these to fund the budget deficit.

92. The investments being made in Energy, Housing and Commercial Property are currently making, and will increasingly make, very significant contributions to the Council's budget and thus help to preserve services and jobs within the borough.

93. This Capital Strategy and the Treasury Management Strategy are likely to be reviewed and updated during the year, and put before full Council, as and when the Council's spending plans are developed further.

Consultation and Communication

94. The detailed Capital Programme is included within the Council's budget which is on the Budget Cabinet agenda (February 2019). The programme supports the Council's Corporate Plan which is likewise on the same Budget Cabinet agenda.

95. The draft Corporate Plan and draft budget for 2019/20 are subject to public consultation from the 11 January 2019.

Equality Impact Assessment

96. Equality Impact assessments are considered as part of the business case when considering individual capital proposals.