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Cabinet Agenda

Monday, 2 September 2019 at 6.00 pm

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

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8.	Urgent Items	
a)	12/13 York Buildings (Part 1) *(Peter Grace, Assistant Director, Financial Services and Revenues) (Cabinet Decision)*	125 - 154
	Exclusion of the Public To resolve that the public be excluded from the meeting during the consideration of the items of business listed below because it is likely that if members of the public were present there would be disclosure to them of "exempt" information as defined in the paragraphs of schedule 12A to the Local Government Act 1972 referred to in the relevant report	
b)	12/13 York Buildings (Part 2) *(Peter Grace, Assistant Director, Financial Services and Revenues) (Cabinet Decision)*	155 - 178

CABINET

8 JULY 2019

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

179. APOLOGIES FOR ABSENCE

Apologies received for Councillor Fitzgerald.

180. DECLARATION OF INTERESTS

None.

181. MINUTES OF LAST MEETING ON 7 MAY 2019

RESOLVED - that the minutes of the Cabinet meeting held on 7th May 2019 be approved as a true record.

RESOLVED - under rule 13.3 of the council's constitution, the recommendations set out in minute numbers 182 and 190 were agreed without being called for discussion.

182. CONSTITUTION CHANGE JULY 2019

The Chief Legal Officer submitted a report to amend the Council's Constitution.

The amendments that the Chief Legal Officer suggested are as a result of a conflict of interest by members of the Standards Committee in considering a standards complaint necessitating changes to Part 2 of the Constitution.

Members of Working Arrangement Group were consulted and are supportive of the change.

Under rule 13.3 the recommendations of the report were agreed without being called for discussion.

RESOLVED:

To recommend that the amendment to the Council's Constitution be adopted by Full Council.

Reasons for the decision:

The Council's Constitution is the basis for the Council's Corporate Governance.

183. SEX ESTABLISHMENTS POLICY REVIEW

The Assistant Director, Environment and Place, submitted a report to provide Cabinet with feedback from a consultation on proposed changes to the council's sex

establishments policy, and seek Cabinet approval to recommend that Full Council adopts the updated policy.

The Licensing Manager presented the report to the Cabinet.

There is no statutory requirement for the Council to have a specific policy on sex establishments. However, following a relatively high profile application for a sexual entertainment venue 6 years ago, Councillors indicated that adoption of a clear policy would help make the application process more transparent to all concerned, including applicants and objectors.

The existing policy was developed in 2015 and has been reviewed and updated by the Licensing Manager. The policy has stood the test of time and has not been challenged. However, it required updating to reflect the changes to the borough over the past 4 years and take account of the latest legal advice.

The main change from the existing policy has been to propose reducing the numbers of such establishments deemed to be appropriate for the borough down from the existing one sex shop and one sexual entertainment venue to just one sexual entertainment venue.

Councillor Chowney proposed approval of the recommendations of the report, seconded by Councillor Rogers.

RESOLVED (unanimously):

That Cabinet endorse the draft policy attached at appendix 1, and recommend that it is adopted by Full Council.

Reasons for the decision:

From time to time the council's sex establishments' policy should be reviewed and updated. The existing policy was adopted in July 2015 and is now due for a review.

184. LOWER TIER RESIDENTIAL DEVELOPMENT

The Assistant Director, Housing & Built Environment presented a report to advise members of progress being made in bringing forward the Lower Tier site at Bexhill Road for residential development; details of Homes England's Grant Funding Agreement; and to establish a budget to cover the Council's costs in advance of any grant monies due from Homes England.

The site is currently identified for 192 homes, of which 40% would be Affordable Housing. At this stage, the Affordable Housing has been identified as a mix of Shared Ownership and Affordable Rent, which is rent that is up to 80% of open market rental value.

The Council will be solely responsible for taking forward the initial stages of the development until the site is fully remediated, planning is obtained and the land value has been maximised. The Council will then enter into a JV agreement with a Registered Provider (RP) for the housing development phase. This approach is in part due to the need to provide Homes England with the confidence that the Council, who has no recent track record of residential development, has the necessary expertise to take forward a site of the size and complexity presented by the Lower Tier.

The Council is receiving legal advice on how best to contract with a RP partner and is exploring options for entering into a contract following a Voluntary Transparency Notice (VEAT) being published.

The Assistant Director noted that any flood mitigation measures at the site could improve circumstances for existing residents as well as the proposed development.

Councillors discussed the report and asked questions of the Assistant Director.

Councillor Batsford proposed approval of the recommendations of the report, seconded by Councillor Forward.

RESOLVED (6 for, 2 against):

1. That the engagement of Harmony Homes for professional support and project co-ordination prior to planning permission being granted is agreed.

2. That the engagement of Ambiental Technical Solutions for flood remediation modelling and works is agreed.

3. That the use of the Bloom Procurement Framework to engage professional services including architectural services up to the granting of planning permission is agreed.

4. That the Council agree expenditure of up to £6.9million capital (this expenditure to be funded by Homes England) and £90,000 revenue (interest) to fund development costs associated with the delivery of the Lower Tier residential development.

5. That a further report be produced for Cabinet and Council agreeing a revised Capital Programme for 2019/20 and beyond. This to include the potential development funding for the Lower Tier site.

Reasons for the decision:

The Council intends to develop circa 190 new homes on part of the former recreation ground at Bexhill Road. Extensive remediation work is required to bring the site up to a marketable value, and the scheme would not be viable without external funding.

Through the Homes England Local Authority Accelerated Construction (LAAC) fund, the Council has secured up to £6.9m to bring the scheme forward. This funding must be drawn down by the end of March 2021.

The resulting homes will make a significant contribution to meeting local housing need across a range of tenures and will include for 40% affordable housing. In addition, an opportunity exists to purchase properties through the Council's Housing Company for private letting, creating an ongoing income stream for the Council.

The terms of the funding agreement with Homes England require that claims against the grant funding up to the value of £6.9m are paid quarterly in arrears. Therefore, it will be necessary that payments are made in advance of receiving grant funding.

The funding of the development following the initial grant funding will need to be separately agreed as part of the Council's revised Capital Programme due to be considered in September 2019.

185. PROPOSED VARIATION OF THE ANTI SOCIAL BEHAVIOUR PUBLIC SPACES PROTECTION ORDER

The Assistant Director, Environment and Place presented a report to summarise consultation feedback on proposals to update the Anti-social Behaviour Public Spaces Protection Order (ASB PSPO); agree changes to the draft ASB PSPO; and seek approval for the Chief Legal Officer to update and extend the ASB PSPO in accordance with regulations published by the Secretary of State.

The current proposals for varying the ASB PSPO result from an analysis of complaints from residents, businesses and visitors to the town received since the existing ASB PSPO came into force. Plus feedback from council services and local stakeholders.

The proposed changes to the ASB PSPO and details of the consultation process were included in the Assistant Director's report.

Councillors debated the report and noted that the Council required more support from the police on issues such as street drinking. The Assistant Director informed the Cabinet that he and the Director of Operational Services will be meeting Chief Inspector Sarah Godley to discuss the issues raised.

In response to a question it was confirmed that PSPOs cannot be used to tackle rough sleeping or homelessness.

Councillor Rogers proposed approval of the recommendations of the report, seconded by Councillor Chowney.

RESOLVED (unanimously):

1) Cabinet authorise the Chief Legal Officer to vary the existing ASB PSPO by replacing it with the updated version at appendix 6, and to extend it by 3 years from 9th July 2019, in accordance with regulations published by the Secretary of State.

2) Cabinet authorise the Chief Legal Officer to correct any minor drafting errors that may be identified, and make minor amendments including deletions and insertions that may be necessary to ensure the ASB PSPO is accurate.

Reasons for the decision:

PSPOs are made under the Anti-social Behaviour, Crime and Policing Act 2014, and are valid for up to 3 years. The existing ASB PSPO came into force on 12th June 2017 enabling the council and the police to address serious anti-social behaviour in specified public places. PSPOs can be varied and extended, and changes to patterns of ASB in Hastings since summer 2017 have resulted in the need to review and update the council's ASB PSPO.

186. DEVELOPMENT OF INCOME GENERATION, REGENERATION AND ENERGY INITIATIVES

The Director, Operational Services presented a report to review progress in delivering income generation activity.

Cabinet agreed an initial programme for income generation at its meeting on the 4th July 2016. This followed an analysis of the council's financial position that identified a potential revenue funding gap of £3.5m.

The council adopted an income generation strategy in September 2017 and a commercial property investment strategy which committed the council to making available of the levels of investment for the period 2017/18 – 2020/21.

Details of the Council's investments, asset acquisitions and income were included in the Director's report.

Councillor Chowney proposed amending the wording of recommendation 7 to avoid misunderstanding. This was agreed.

Councillor Chowney proposed approval of the recommendations of the report, seconded by Councillor Batsford.

RESOLVED (unanimously):

1. That cabinet welcome the delivery of a range of actions that are anticipated to generate income or savings for the council circa £1.3m in a full financial year.

2. That the council should continue to acquire suitable commercial properties if they meet our investment criteria when they should become available within the Hastings Travel to Work Area (TTWA).

3. That a revised and adjusted business plan for the Hastings Housing Company be presented to Cabinet before the council commits to a further programme of investment

4. That the council should consider continuing acquiring housing directly in order to reduce the costs and social impact of extended residence in B&B. The Assistant Director Housing and Built Environment be instructed to bring a separate report and business case to Cabinet if a future programme of acquisition is viable.

5. That the council continues to direct resources to explore energy generation within the borough or elsewhere both to earn income and as part of its commitment to address climate change.

6. That generating sustainable income should be a central theme underpinning the council's major projects and its service provision.

7. That the Capital Programme be reviewed and priorities within the Capital Programme be set in order to support the financing of further investment in commercial property, housing and energy within the council's overall means.

Reasons for the decision:

That despite challenges the council has achieved substantial income and savings with the potential for more in the future.

That it is clear that the council's climate, housing, energy and employment creation priorities should embrace the generation of an increased sustainable income for the council wherever this is possible. Future acquisitions and development should constitute part of our capital programme delivery work of major projects.

Government policy supports investment for regeneration and economic development rather than solely income generation.

The need to address both climate change and economic growth means treating these as being closely related.

187. FINAL ACCOUNTS 2018/19

The Assistant Director, Financial Services and Revenues, submitted a report setting out the draft final accounts position for 2018/19. The financial accounts are subject to change until the external auditors have completed their audit report.

The report was presented by the Chief Accountant.

Total direct service expenditure amounted to £11,468,517 in 2018/19 compared to the revised budget estimate of £13,313,580, a variation of £1,845,063. This was offset by a variation in the budgeted use of reserves of £2,090,724. Overall there is an improvement in the General Fund revenue outturn position compared to the revised budget of £66,089 (a budgeted deficit of £747,194 compared to an expected outturn deficit of £681,105).

The Assistant Director thanked the accountants for their work.

Councillor Chowney proposed approval of the recommendations of the report, seconded by Councillor Lee.

RESOLVED (unanimously) that:

1. Cabinet review the revenue and capital outturn positions for 2018/19.

2. That the 2018-19 outturn position, along with the revised estimates for 2019/20 be taken into account when preparing the 2020/21 budget.

3. Cabinet review the achievement of Priority Income and Efficiency Review (PIER) savings for 2018/19.

Reasons for the decision:

Compliance with statutory requirements and good practice. The Council is accountable for the use of public money and continuously seeks to improve Value for Money.

The outturn position informs the budget setting process. Where there are under or overspends the reasons behind these are investigated with a view to reallocating resources to meet priorities.

The 2016/17 Audit Completion Report from the council's external auditors (BDO at the time) recommended that management report on the achievement of PIER savings following their implementation.

The Council's external auditors (now Grant Thornton) commenced auditing the full accounts in early June. The audited Statement of Accounts will be considered by the Audit Committee on 30th July– along with details of the auditor's findings and any material amendments made to the accounts.

188. CORPORATE PLAN RETROSPECTIVE REPORT ON PERFORMANCE DURING 2018/19 AND PROPOSED PERFORMANCE INDICATOR TARGETS FOR 2019/20

The Director, Corporate Services and Governance presented a report to advise Cabinet of the year-end performance for 2018/19 and proposed performance indicator targets for 2019/20.

The Council meeting on 11 February 2019 agreed the Corporate Plan for 2019/20 which sets out the council's strategic direction and outlines 7 key work programmes for 2019/20.

The Overview and Scrutiny committee considered the year-end performance for 2018/19 and proposed performance indicator targets for 2019/20 at their meeting on 13 June. Most indicators are proposed to retain the same targets for 2019/20.

The full report to the Overview and Scrutiny committee, and the minutes of their meeting are available here.

Councillor Forward thanked officers and the Overview and Scrutiny Committee for their work.

Councillor Forward proposed approval of the recommendations of the report, seconded by Councillor Rogers.

RESOLVED (unanimously):

1. That the comments of the Overview and Scrutiny committee be considered.

2. That the year-end performance for 2018/19 and proposed performance indicator targets for 2019/20 be approved.

3. That Cabinet support intentions for performance arrangements during 2019/20.

Reasons for the decision:

The council's Corporate Plan is one of the key documents by which the council is held to account for its performance, therefore honest and transparent reporting back of how well we performed against targets in the previous year is essential. Local people and staff also need to be aware of the targets and standards we have set ourselves, and where any of these targets have changed from previous years we need to be clear about the reasons why.

189. CENTRAL ST LEONARDS RENEWAL EXIT REVIEW

This item was deferred to the next cabinet meeting.

190. CABINET APPOINTMENTS TO COMMITTEES, WORKING GROUPS AND PARTNERSHIPS

The Chief Legal Officer submitted a report to consider the nominations received and to make appointments to committees, working groups and partnerships etc. and to appoint the Chairs and Vice Chairs to the committees of Cabinet.

The schedules showing the nominations received were made available as an appendix to the Chief Legal Officer's report.

Members are appointed until the Borough elections in May 2020.

Under rule 13.3 the recommendations of the report were agreed without being called for discussion.

RESOLVED:

1. To appoint members to committees, working groups, partnerships and representative bodies as set out in Appendix A and B, and;

2. To appoint the Chairs and Vice Chairs of Charity Committee and Museums Committee, as listed in Appendix A

Reasons for the decision:

Members are required to serve on the committees, working groups, partnerships and representative bodies to which Cabinet appoints. Chairs and Vice Chairs are required for the committees that report to Cabinet.

191. ANNUAL TREASURY MANAGEMENT OUTTURN REPORT 2018/19

The Assistant Director, Financial Services and Revenues presented a report to provide the opportunity for the Cabinet and Council to scrutinise the Treasury Management activities and performance of the last financial year.

The cabinet welcomed the report and noted the importance of the Treasury Management Strategy.

Councillor Chowney proposed the recommendation be amended to make clear that cabinet is agreeing to keep the Treasury Management Strategy as is. This was agreed.

Councillor Chowney proposed approval of the recommendations of the report, seconded by Councillor Batsford.

RESOLVED (unanimously):

That cabinet agree the Treasury Management Strategy is not amended.

Reasons for the decision:

To ensure that members are fully aware of the activities undertaken in the last financial year, that Codes of Practice have been complied with and that the Council's strategy has been effective in 2018-19.

Under the Code adopted the Full Council are required to consider the report and any recommendations made.

(The Chair declared the meeting closed at 8:42pm)

Report to: **Cabinet**

Date of Meeting: **2 September 2019**

Report Title: **Medium Term Financial Strategy**

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

Purpose of Report

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

The Medium Term Financial Strategy (MTFS) seeks to identify the financial risks that will affect the annual budgets for each of the next 5 years (with projections to 2028/29) in order that key priorities can be matched to expected funding.

Recommendation(s)

1. **Approve the Medium Term Financial Strategy.**

2. **The Council take the robust actions necessary in this financial year and throughout the 2020/21 budget processes to achieve a sustainable budget.**

Reasons for Recommendations

The council matches its available resources to its priorities across the medium term. The Council needs to achieve savings of some £3.2m in order to achieve a sustainable budget in 2020-21. To date some £1.81m savings have been identified and there are estimated to be some £548,000 of reserves that could be used to help in the transition to a lower spending Council - subject to significant savings being achieved in 2019/20. This leaves some £1.496m of savings still to identify.

The report provides the opportunity to assess the council's resources to assist the review of corporate priorities. The Council must be prepared for continued ongoing reductions in funding, greater volatility in its income streams, economic uncertainty and the need to continually ensure limited resources are properly aligned to targets.

Introduction

1. The review of the current year's spending against the budget helps to update and inform the budget process for 2020/21 and beyond.

2. Good financial management requires councils to properly plan for the future in order to match longer term ambitions and plans with anticipated resources. At present there are a number of key areas of financial uncertainty which cause problems when seeking to accurately forecast available resources for the years ahead.

3. The Medium Term Financial Strategy seeks to identify these uncertainties e.g. no government spending review, no fair funding review implications, no details of any replacement for New Homes Bonus, charitable status for NHS hospitals. Where possible the MTFS seeks to make an informed view of the likely resource implications. Where there is no clarity as yet, generally, a prudent approach is adopted.

4. The Chancellor has announced that the Spending Review (SR19) due originally to report in July 2019 has been postponed and is now expected to be undertaken in 2020 (SR20). Instead a Spending Round announcement is now expected in September (date to be advised) in order to bring more certainty to local government when determining budgets for 2020/21.

5. The Council accepted the government's last offer for a four year settlement in order to provide some certainty on part of the Council's funding stream. The government's autumn budget is still expected in November 2019, and the funding announcements that normally follow thereafter, are expected to provide the real details of the resources available over the 2020/21 financial year.

6. The postponement of the overall Spending Review to 2020 leads to a period of further uncertainty on the total size of the pot that will be made available for Local Government as against the other spending priorities of the government. Even if the Council achieves a sustainable budget for next year, it must be recognised that further funding reductions seem inevitable given the country's debt problems.

7. Fundamental changes to local government funding are still due for 2020/21. The Fair Funding Review and retention 75% of business rates should be announced by December 2019 – it is unknown whether these changes will also now be delayed (it seems highly likely that they will be). This may well impact on the remaining income streams, such as New Homes Bonus and Discretionary Housing Payments.

8. For financial planning purposes, the assumption in this Medium Term Financial Strategy is for no reductions in Settlement Funding Assessments (government funding and retained business rates) for 2020/21 i.e. a standstill settlement. The years thereafter assume continued funding levels (business rates) of similar amounts and increasing annually by inflation (2%), but this may well be overly optimistic.

Financial Context

9. The Net Council Expenditure budget for 2019/20 is £15.116m and is broken down across services as follows:-

Service	Net Budget £
Corporate Resources	1,367,000
Operational Services	11,958,000
Interest/ Use of Reserves/ Other Grants and Contingency	1,791,000
Total Net Council Expenditure	**15,116,000**

10. The budget is funded by:-

Funded From	£
New Homes Bonus	556,000
Collection Fund Surplus – Council Tax	145,000
Collection Fund Surplus - NNDR	28,000
Housing Benefit Administration Grant	389,000
C.Tax Support Admin Grant	161,000
Business Rates	3,563,000
Business Rates (Section 31 Grant)	1,569,000
Business Rates Pooling	91,000
Council Tax	6,867,000
Reserves/Capitalisation (net)	1,747,000
Total Funding	**15,116,000**

2019/20 Review

11. There were a number of “overs and unders” within the 2018/19 accounts that when compared to the 2019/20 budget help inform budget planning for 2020/21 and beyond. The initial sums now identified from the 18/19 review amount to a saving of £316,000 in 2019/20, and when combined with other savings being made in 2019/20 e.g. insurance contract (£150,000), amount to £578,000 in total. This is offset by a projected increase in temporary accommodation costs of £191,000 in 2019/20. However the quarter 1 monitoring identifies a projected overspend of £195,000 by year end. Some of these areas of overspend will be contained within the contingency budget but additional off-setting savings may still need to be identified.

12. The savings identified to date, excluding the Pier savings identified in the February 2019 budget, are summarised below (but are subject to change):-

Additional PIER savings identified during 2019-20	2019-20	2020-21
Savings	£'000s	£'000s
Environment and Place	(96)	(87)
Corporate Services	(157)	(156)
Regeneration and Culture	(26)	(31)
Housing and Environment	(37)	(37)
Insurance Contract	(150)	(150)
Rates reduction - cemetery	(35)	(35)
Staff Post reductions - not included above	(77)	(80)
Total Savings	**(578)**	**(576)**
Growth		
Temporary Accommodation GROWTH (net)	**191**	**191**
Net Savings	**(387)**	**(385)**

13. Business rate income remains an area of high volatility and risk. Whilst the level of business rates collected is on target the level of appeals outstanding both nationally and locally continues to be a threat and is impacting significantly on the retained income levels.

14. The Council is receiving a separate payment from the government following the extension to the Small Business Rate Relief Scheme – which effectively reduces the income that the Council has to collect from businesses. This further complicates the funding picture. Given government changes to the scheme, the Council is no longer having to collect relatively small sums from a number of businesses and is instead reimbursed by the government for the income foregone. This figure is now estimated to be some £1.536m in 2019/20.

15. As part of the revised budget, the estimated income for revenues and benefits and the subsidy elements will be reviewed, along with the level of court cost recoveries. In 2018/19 the budget was not sufficiently prudent – with an adverse variance of nearly £300,000. The quarter 1 estimate allows for increased costs of £150,000; these have not been built into the medium term financial strategy to date due to the level of uncertainty on these.

Inflation

16. The Council allowed around 2% overall for inflation on its main contracts in 2019/20. With some £5m of major outsourced contracts, inflation assumptions remain important for budget planning purposes. Inflation in June 2019 (CPI 2.0%, RPI 2.9%) is at the government's 2% target level (CPI).

Other Expenditure

17. Since determining the budget in February 2019, the Council's budget has been enhanced by the receipt of a number of grants and additional funding sources, all of which will be matched with expenditure and are not therefore expected to reduce the in-year deficit. Of significance is the funding for Disabled Facility Grants which was advised in May 2019 and amounts to £1,812,584. This sum will be included within the revised budget.

Capital Expenditure

18. The Council is planning to spend £19,251,000 on capital projects during 2019-20. Of this £16,287,000 is due to be funded from borrowing, £2,595,000 by grants and contributions, and £185,000 from capital receipts.

2019/2020 - Summary of Mid Year position

19. In brief, there are many variations within individual budgets, some of which are identified above. Where the under spends will be of a recurring nature these are of particular significance as they will assist in balancing the budget for future years. As identified in the table above the recurring savings identified to date amount to £576,000 but offset by £191,000 of projected spend on temporary accommodation costs – a net annual saving of £385,000.

20. The in-year saving, if achieved, will be very helpful in reducing the use of the Transition Reserve in 2019/20. The projected deficit for 2019/20 reducing to £1.462m from £1.747m and freeing up an element of the Transition Reserve to fund the major deficit in 2020/21.

21. Non recurring savings can also assist the council in balancing the budget through "one off" injections of cash or through invest to save projects.

22. After ten years of funding reductions, there are few illusions left about the difficulty in identifying the further budget reductions required without impacting on services. Services should continue to identify opportunities to make in-year savings and investigate other ways of achieving corporate objectives when staff leave the organisation. To help achieve the balanced budget in 2019/20 (using £1.747m of reserves) and beyond, PIER saving targets were set as part of the budget setting process in February 2019 and these will need to be achieved. The achievement or otherwise of these will be reported to Cabinet in July 2020.

23. There remain issues which can cause financial uncertainty within 2019/20. These include for example the business rate appeals (including the potential NHS claim for charitable relief), licensing, development control income, car parking income, commercial property income, economic climate and any change in employment levels, benefit costs, and temporary accommodation costs.

Medium Term Financial Strategy

24. The Medium Term Financial Strategy (MTFS) is attached (Appendix A). It does provide indicative budget forecasts for the five years (current year plus future 4 year period 2019/20 – 2023/24) along with projections to 2028/29 and these have been produced to reflect the issues identified in the MTFS.

25. There are significant areas of growth in 2020/21. These include the full year effects of the contracts for waste and street cleansing services and loss of recycling credits (£300,000), temporary accommodation (£191,000), local election (£110,000), Pension Fund revaluation (£50,000). In addition funding reductions are still expected in respect of New Homes Bonus (£382,000), Housing Benefit Administration Grant (£29,000), and a deficit on the collection fund in respect of business rates (£159,000). There are also numerous areas of uncertainty in

attempting to determine the available resources e.g. wage settlements, inflation, investment and borrowing costs.

26. The figures below are based on the assumption that £1.181m of savings identified to date from the PIER reviews, the reviews of the out-turn performance for 2018-19 and further savings made in 2019-20 are accepted by the Council and achieved.

    The **deficits** are estimated to amount to:

    2019/20 - £1,462,000
    2020/21 - £2,044,000
    2021/22 - £1,521,000
    2022/23 - £1,743,000
    2023/24 - £1,610,000

27. Work is currently ongoing to identify options for reducing these deficits further and presenting options for Council to consider when determining the budget.

28. The financial projections in the Strategy are for illustrative purposes at this stage, given the uncertainty surrounding the costs of some of the financial pressures and funding levels and the recognition that further work is required to refine these figures before the budget is finalised in February 2020.

Reserves

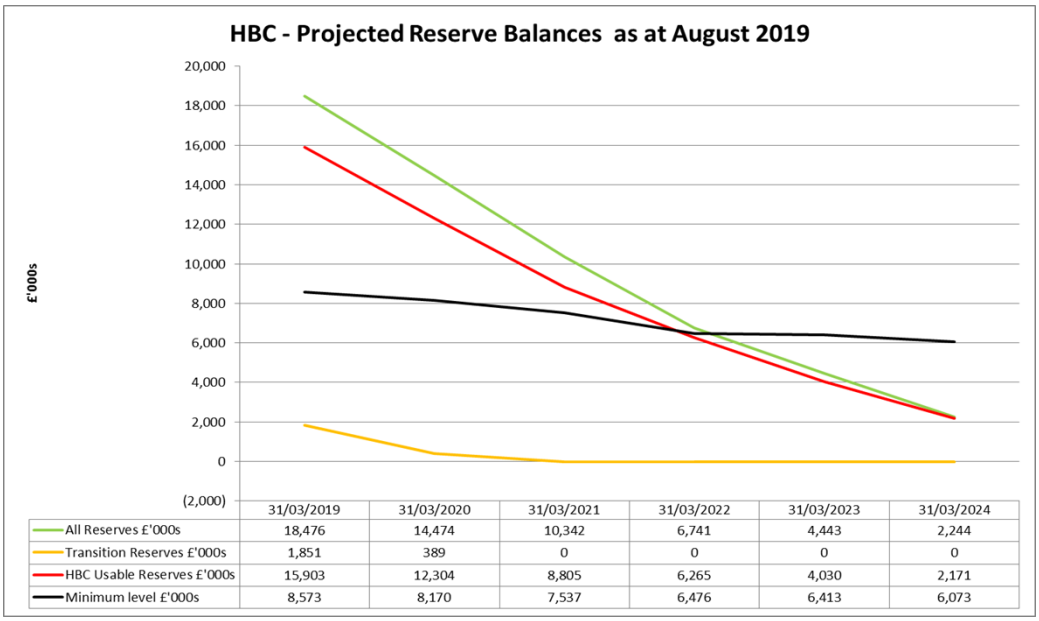
29. The MTFS provides details of the current and expected levels of Reserves. The transition reserves are all but exhausted in balancing the 2019/20 budget. The minimum level of reserves is set at £6m and given the economic and funding uncertainties, exposures of income streams, volatility of Council Tax support costs these should be increased further in normal circumstances.

30. It is estimated that there is some £1.7m of unallocated (at present) general reserve. This is the only remaining funding that would be available to help fund and cover those costs that cannot be capitalised in any development programme. If the Council does not produce a balanced or sustainable budget then these reserves would have to be used to balance it. The carrying costs e.g. interest costs of major schemes such as Lower Bexhill road, feasibility studies and upfront costs of schemes would become unaffordable.

31. The Council continues to spend more on renewal and repair costs than it is setting aside and there are significant additional costs on the horizon e.g. further cliff maintenance and repairs that could be in the region of £1m over the medium term (1-5 years).

32. 2017/18 saw the first use of the Council's transition reserves to fund the budget deficit. The graph below highlights, on current projections, how the transition reserves will fund the deficit for 2019/20 and only part of the 2020/21 deficit. On the current projections, and if the Council took no steps to address the deficit (assuming it makes the £1.181m of identified savings), reserves would fall to minimum levels during the 2021/22 year. This in itself would have serious consequences in that few if any Capital projects would be capable of being funded

in 2020/21 and beyond.



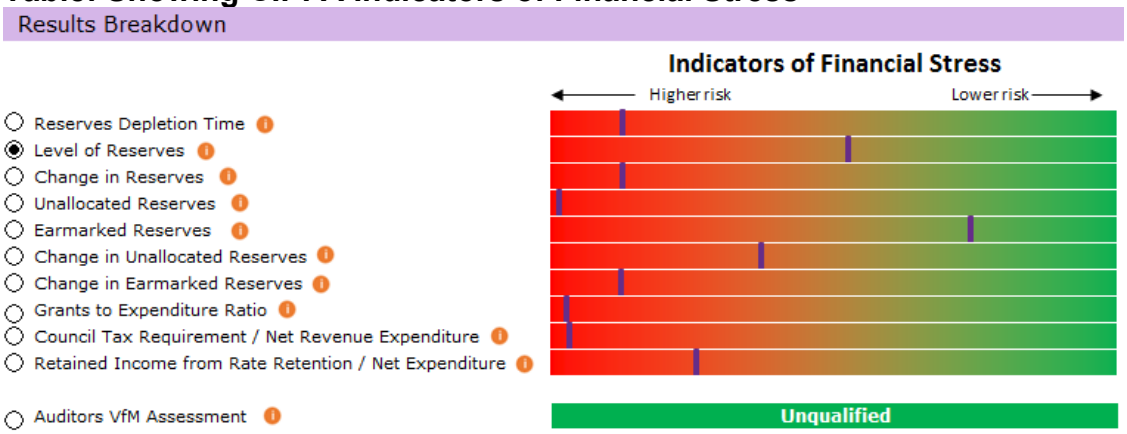
	31/03/2019	31/03/2020	31/03/2021	31/03/2022	31/03/2023	31/03/2024
All Reserves £'000s	18,476	14,474	10,342	6,741	4,443	2,244
Transition Reserves £'000s	1,851	389	0	0	0	0
HBC Usable Reserves £'000s	15,903	12,304	8,805	6,265	4,030	2,171
Minimum level £'000s	8,573	8,170	7,537	6,476	6,413	6,073

33. Members are recommended to approve the Strategy, which identifies the deficits that need to fully addressed in the 2020/21 budget setting process. The reserves set aside for the transition to a lower spending Council will be exhausted part way through 2020/21. The Usable Reserves shown above include all the earmarked reserves. The unallocated reserves are a much smaller proportion.

Budget and Resilience (Financial Stress)

34. As reported when determining the 2019/20 budget in February 2019, CIPFA have developed a range of indicators 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 as yet, and hence no national comparatives. The results are shown below – based on 2017-18 figures

Table: Showing CIPFA Indicators of Financial Stress

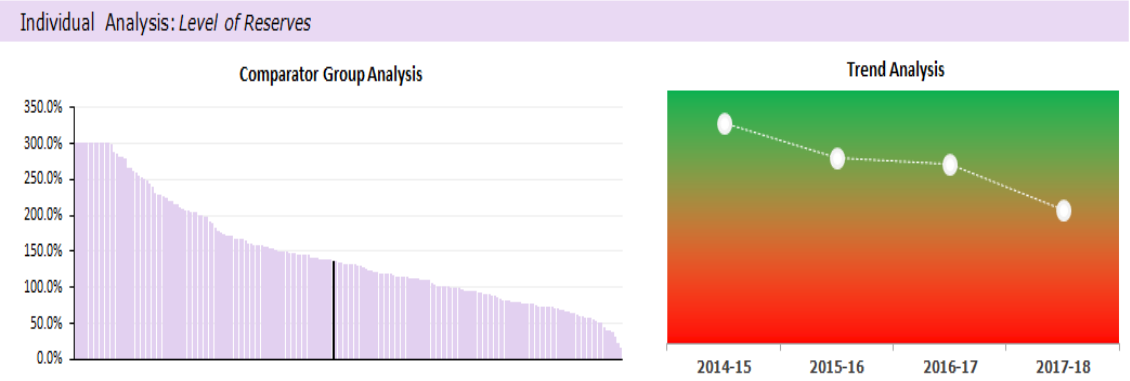


35. From the above table it can be seen that the majority of the Council's indicators are in the higher risk spectrum. The two that were not, **based on 2017/18 figures**, are the level of Reserves and level of earmarked reserves. However it needs to be made clear that these results are backward looking and the useable (by HBC) earmarked reserves can provide a misleading view.

36. 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.

Analysis of Reserves

37. 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 – expected to be a poorer position than in the current comparator group analysis below.



38. The increasing use of the reserves has been fully highlighted in the Medium Term Financial Strategy and elsewhere in this report, and it was 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 the remainder of 2019/20.

39. There is a view that the Council has significant reserves and can continue to operate for a couple more years with the massive revenue deficits. Whilst not in the Northampton County Council position of having to issue a Section 114 notice to stop all spending, the implications of reducing the reserves further severely jeopardises the ability to meet unexpected costs, claims, shortfalls in income and particularly fund the capital programme and new regeneration opportunities.

40. When reserves meet minimal levels and if there are no viable plans to reduce the deficits, it would be expected that the external auditors would issue a report under section 24 of the Local Audit and Accountability Act. This notice requires Councils to meet within a month, to consider any report issued, and start taking the difficult decisions required. A section 114 notice may follow shortly thereafter from the Chief Finance Officer. To reach this stage the Council could be said to have effectively failed in its responsibilities to manage its resources effectively.

Anti Poverty, Equalities and Community Cohesiveness

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

Risk Management

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

Economic/Financial Implications

43. The strategy continues to identify reduced funding levels from government for the next few years. Income streams are being reprofiled, but remain at significant risk. There are additional cost pressures in terms of Waste and Street Cleaning contracts (full year cost implications), growth in terms of the Council Tax Reduction scheme, volatility on business rates, falling investment income, inflation and wage settlements. In a few years the Council may also lose the income stream from land charges (£195,000 in 2019/20).

44. The MTFS identifies major budget shortfalls in all future years, even after the use of reserves and accounting for income generation initiatives. The identification of further efficiencies, further income generation opportunities and cost reductions remains of critical importance to achieve a balanced budget and must be seen as a top Council priority. It is proposed that a further review of reserves be included within the budget setting process.

45. The Council's reserves are approaching the minimum level recommended. There is the potential that if a significant number of redundancies are made the cost would exceed the funds available within the budget and the remaining Redundancy Reserve. Any further costs would be a call on the unallocated general reserves.

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

47. Robust steps must be taken now to ensure a sustainable budget can be set by the Council for 2020/21.

Timetable of Next Steps

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

Action	Key milestone	Due date (provisional)	Responsible
Councillors Seminar		6pm on 09.09.2019	Chief Finance Officer

Wards Affected

All

Implications

Relevant project tools applied? N/A

Have you checked this report for plain English and readability? Yes

Climate change implications considered? N/A

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

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

Additional Information

Appendix A – Medium Term Financial Strategy

Officer to Contact

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APPENDIX A

Medium Term Financial Strategy 2020/21 to 2023/24

Purpose of the Strategy

1. The Council manages its finances by matching Council priorities to funding across the medium term. Unfortunately with the continued funding cuts, increased cost pressures from Waste Collection, Street Cleaning and Temporary Accommodation the Council must make further cuts in order to balance the budget.

2. The annual budget cycle refines the process for the immediate year ahead (2020/21) and determines the most appropriate use of available resources as well as setting the Council Tax for the borough.

3. The government's deficit reduction programme continues to result in significant and ongoing reductions in funding for the Council. These reductions, since 2010/11, have led to government funding reducing by some 70% to date. The medium term plans and budgets have all made it plain that the Council's ability to carry on providing the level of services it does is severely jeopardised from 2020/21 as all Transition funding is exhausted by then.

4. 2020/21 was to see wholesale changes in the way in which local authorities are funded. The level of uncertainty around future funding is now totally unclear. The government's Spending Review (the division of the government's overall pot) was due to start in the summer of 2019 and the results announced in the autumn budget.

5. The Chancellor has formally announced that the 2019 Spending Review has been postponed until 2020. Instead, a one-year Spending Round, covering budgets for 2020/21, will take place in September. An exact date has not yet been announced.

6. The Fair Funding Review (the level and distribution of the monies between Councils) now seems unlikely to be completed until late autumn. Complete uncertainty remains about the promised 75% retention of business rates from April 2020 along with the ending of the New Homes Bonus Scheme, and what will replace it – if anything. There is also uncertainty as to the percentage increase in Council Tax that will be permitted from April 2020 – let alone in the years beyond. What does appear to be clearer is that of the funding available those providing adult and children's care services will receive greater priority – along with the police and teaching professions.

7. The Council now finds itself in the most challenging financial period – and unless it balances its budget it will be unable to afford to undertake the major redevelopment initiatives that remain so important for the town.

8. The Council now needs to seriously consider postponing all but the most important new initiatives until there is some clarity on funding and achievement of a sustainable budget. The Council to concentrate on developing those projects that produce income or have significant health and safety implications. Unless the budget is balanced the

further use of reserves will take the Council to the point where it reaches the absolute minimum level that it should hold and leave nothing to fund the upfront costs of schemes and expenditure that cannot be capitalised e.g. cliff works, feasibility studies.

9. Even if the Council balances its budget for 2020/21 unless there is a degree of clarity and certainty for at least a significant part of the Council's funding stream in the years ahead the Council will need to prioritise its expenditure on the assumption of continued reductions in funding. It is understood that the MHCLG have been looking at a safety net where councils experience year on year reductions of greater than 5%p.a. .

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

Background

11. Councils are expected to plan their finances over more than a one year period. The longer term planning of finance supports the achievement of priorities in the Corporate Plan and allows more effective planning of services. It encourages Councils to predict events in the future and develop strategies to deal with them. To this end the MTFS seeks to project the funding position to 2023/24. Given the total lack of clarity and the likelihood of this continuing for some time, along with the potential for recession, the Council needs to assume that it will continue to see significant reductions in funding and increasing cost pressures.

12. The Financial Strategy is the first stage in the annual business planning process. A later stage, the budget process, will examine the financial implications of any revisions to corporate plan objectives and match these to available resources to define a Council-wide budget requirement in early 2020. The corporate planning process ensures there is integration of all key strategies and the policies of the Council.

13. The Council has experienced funding reductions of over 69% between 2010/11 and 2019/20 on a like for like basis. The government's autumn budget in November 2019 is expected to give details of spending plans for the year ahead and given the scale of the national deficit and exit from the EU the funding reductions are expected to continue.

14. Health, schools and development assistance have been protected which means that the cuts in Departmental Expenditure Limits (DEL) have fallen disproportionately on the remaining public services including local authorities. This policy is not expected to change significantly.

15. This report updates the MTFS taking into consideration known factors and makes broad assumptions on funding for 2020/21 and the years thereafter as well as making assumptions around service and corporate pressures.

16. Announcements are expected that 2020/21 will result in a standstill settlement for local authorities, albeit business rate pilots may revert back to 50% (from the current 75%),

and new homes bonus payments will continue to reduce significantly.

17. The strategy will be updated as and when details and implications emerge in the months and years ahead. Significant cost reductions need to be identified urgently and will need to be implemented in full or in part depending upon the level of funding.

Strategic Priorities

1. The Council's strategic priorities were reviewed for 2019/20 in the light of the continuing challenges that the Council and the community face. They may have to be reviewed for 2020/21 in the light of these continuing challenges and the climate change emergency.

2. 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.

18. The Council's corporate plan continues to remain very ambitious when set against the background of reductions in annual grant settlements and the continuing demand pressures – particularly around homelessness and temporary accommodation requirements.

19. The Council has a very good track record of achieving its objectives and improving performance, and will look to enhance income streams too. It can continue to be well placed to deliver the programme in 2020/21 but must substantially refine its priorities which inevitably now results in cuts to services. Significantly reduced resources will inevitably impact on service delivery in the years ahead.

Key Principles of the Medium Term Financial Strategy (MTFS)

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

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

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

(ii) Maintain a sustainable revenue budget

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

Whilst the principle remains sound the Council had consciously strengthened its reserves in the last few years, knowing that these will be required to ease the transition to a lower spending Council and to meet key corporate priorities. The Council required the use of these reserves to achieve balanced budgets in 2018/19, and again in 2019/20. Reserves will be insufficient to balance the 2020/21 budget unless additional funding is received or significant expenditure reductions are made.

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

(iv) Continue to identify and make efficiency savings

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

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

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

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

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

(vii) Ensure sufficient reserves are maintained.

Some reserves, having been built up in the last few years, are specifically identified to ease the transition to a lower spending Council and to meet key corporate priorities. A hardship fund was established in the February 2016 budget. Volatility within business rates and the Council Tax Support scheme resulted in the establishment of a separate reserve to smooth some of the fluctuations. In the event of a recession, in the run up to, and following, Brexit the volatility could be highly significant.

(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 draft report produced by the Council's external auditors in July 2019 on the Final Accounts 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.

Local Government Spending Control Totals

21. The Chancellor's November 2019 autumn statement is expected at best to produce a standstill budget for local authorities i.e. comparable funding to 2019/20 except for continued reductions in New Homes Bonus, benefit administration grant, and no additional monies to meet the increasing costs of homelessness.

External Funding – Grant Settlement

22. The 2019/20 final settlement figures provided 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.

23. Over the last 4 years alone the authority would have lost some £2.7m (73.5%) of its core Revenue Support Grant over this short period alone.

24. Discretionary Housing Payments (DHP's). This government grant which is managed by the Council assists many claimants who are coping with a multitude of welfare benefit changes. The grant figure for 2019/20 amounted to £328,868 a reduction of £52,861 from 2018/19 (£381,729). The grant is expected to reduce further in 2020/21.

Summarised Grant Position

25. 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 over 69%. For the period 2010/11 to 2020/21 the reduction in cash grant funding is estimated at 72% 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).

26. A one year standstill settlement would be a good result. If there is a fair funding review with resources redirected towards authorities with social care responsibilities, it would be hoped that the worst case scenario would see transition schemes in place limiting the funding reductions to some 5%. New Homes Bonus is set to decrease very significantly in the years ahead as is the Benefit Administration grant as the country moves towards Universal Credit and away from housing benefit.

27. **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**. 2020/21 will see the full year effects of the increased costs in providing waste and street cleaning services (£1.4m p.a. of additional costs).

FINANCIAL CONTEXT - The National Economic Climate

28. UK gross domestic product (GDP) contracted by 0.2% in Quarter 2 (Apr to June) 2019, having grown by 0.5% in the first quarter of the year. The service sector has seen slight growth (0.1%), but the manufacturing sector has seen large reductions (-1.4%).

29. According to the office for National Statistics (labour market review July 2019), the UK employment rate was estimated at 76.0%, higher than a year earlier (75.6%). The UK unemployment rate was estimated at 3.8%; it has not been lower since October to December 1974.

30. Inflation projections from the bank of England quarterly inflation report (August 2019) suggest inflation decreases until Christmas 2019, with increases thereafter. Inflation has been predicted to reach some 4% next year with a no deal Brexit and consequent reduction in the value of the £pound.

31. Opinion at the start of the financial year was that there may be an increase in Bank Rate during 2019. It now appears that the financial markets are pricing in a reduction in base rates – possibly as early as January 2020.

32. There remains much uncertainty around the Brexit negotiations, consumer spending levels and business investment, let alone the world economy and trade wars. In this context it is not possible to be confident about how strong growth and inflationary

pressures will be over the next few years, and therefore the impact on employment levels (and those claiming benefit), inflation (and what we have to pay on our contracts and staff salary increases) and investment / borrowing costs (given no certainty on base rates).

33. In determining the Medium Term Financial Strategy the impact of the economic climate on the Council has to be considered. As a result of all these uncertainties, once again no general allowance can be made for any uplift in the Council's income streams in terms of volumes, although individual income streams are being critically reviewed. Likewise if there is a further decline in the overall economy then benefit numbers are likely to increase and likewise inflationary pressures. These factors will impact negatively on the Council's financial position.

Spending Review, Fair Funding Review & Business Rates Retention

34. The government's 2019 Spending Review was expected to determine the future funding for local government levels for a four year period (but now announced it will be a spending round rather than a review – and for just one year). The Fair Funding Review was set to determine the split of available funding between authorities for 2020/21 onwards.

35. The government announced many months ago that for 2020/21 the funding methodology for local authorities would change. 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 – albeit business rates is proving much harder to collect and is increasingly unpopular for those struggling on the high street.

36. 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.

37. 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.

Risks and Opportunities

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

- External funding in terms of the government's spending round announcement in September 2019, Spending Review 2020 (SR20), the retention of business rates in 2020/21, and the Fair Funding Review (with new grant funding regime in place

from 2020/21).

- Business Rates Retention Scheme – the new funding regime that was introduced on 1 April 2013 whereby Councils retain an element of business rates and any growth (or reduction) – this has increased volatility and risks for Council funding. The local retention of business rates presents real risks to the authority should rate income decrease, but likewise provides the Council with an incentive to increase the business rate base and the level of business rates being collected. 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 Rate Appeals – This remains one risk that is proving particularly costly at present and remains difficult to estimate. The Council has been picking up the cost of revised rating determinations that stretched back as far as 2005 which has led to large deficits on the collection fund. The appeals provision within the Council's accounts amounted to some £3.955m at 31 March 2019 of which HBC's share is some £1.582m. Currently some £10.1m by rateable value (excluding multiple appeals) remains the subject of appeal within Hastings of which some 76 relate to the 2010 rating list (as at 31 March 2019).

- Localisation of Council Tax – funding for Council Tax Support having been reduced by 10% and Councils are now maintaining their own schemes. The Council is not proposing any change to the scheme for 2020/21 – which will increase the cost of the scheme by some £250,000 p.a. of which Hastings BC will bear an additional £35,000 (estimated).

- Security of income streams

- Increased demand for public services – homelessness and temporary accommodation

- Delivery of the identified PIER savings.

- Pension Fund Performance and changes to the national scheme

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

- Re-letting of the Waste and Street Cleaning Contracts – The costs to the Council increasing substantially from July 2019. The additional costs for the Street cleaning service, the loss of recycling credits and additional costs for waste collection from 2019/20 onwards amounting to some £1.4m in total in a full year. Potential savings by moving some weekly recycling collection areas to two weekly were to be explored once the new contractor has established new working arrangements.

- There are however 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. A number of contract areas will be coming up for renewal in the years ahead which may allow for detailed scrutiny of the specification and how these could be delivered differently in the future – whether in-house or externally.

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

- The Council has commenced some significant housing initiatives e.g. social lettings scheme, Selective Licensing scheme, housing company, as well as energy initiatives. Each of these has financial repercussions if business plan objectives are not achieved.

- The Council continues to look at opportunities for income generation/cost reductions. The level of investment both in terms of commitment, resources and particularly new borrowing is significant. There is also concern that there will be greater levels of control placed on local authorities by government.

- Unfortunately the risks of recession in the economy are greater at present given the levels of uncertainty around Brexit, trade wars, etc. The Council's Council Tax Support scheme has the potential to become increasingly costly in a recession.

Council Tax and Business Rates

39. The current funding gap in the MTFS assumes an increase in Council Tax of £5 or 2.99% in 2020/21 and 2% each year thereafter. It has been suggested that a 2% limit could be placed on Council Tax increases for 2020/21. In determining the actual level of Council Tax for 2020/21 the Council will need to take into consideration the government's referendum principles which for 2019/20 were based on the requirement to hold a referendum for increases that were above £5 as well as exceeding 3% or above. This MTFS assumes a 3% increase for 2020-21.

40. The tax base for 2020/21 is expected to be 1% higher, as a result of additional properties and a reduction in the Council Tax Support being claimed. The effect would be to increase the tax base from 25,865 to 26,124 (worth some £69,000 p.a. to HBC alone). Each 1% increase in Council Tax would also yield approximately £69,000.

41. The 2020/21 budget projection assumes a further contribution of £50,000 from the Council's Collection Fund in respect of Council Tax due to the collection record. However there remains a deficit in business rates income mainly caused by the high level of successful rating appeals. An estimated deficit of £159,000 has currently been included in the strategy but this figure could be amended significantly before the year end.

Funding from Business Rates (2020-21)

42. 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 the Council received Revenue Support Grant (RSG) and monies from Business rates (an assessed Business Rate Baseline Funding level - expressed as Baseline Need). The two figures effectively made up the Settlement Funding Assessment (SFA). The government calculated a notional business rate figure they believed each Council should collect, although ultimately it is the actual level of business rates collected that determines the total funding received.

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

44. Under the 2018-19 scheme 50% of business rates was 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. The 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.

45. 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.

46. 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 due 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.

47. 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) and 2020-21

48. 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, and were granted, Pilot status. This means Councils retain 75% of business rates, but lost all of the Revenue Support Grant. The Council's baseline funding levels being amended to reflect the loss of grant. This effectively brought forward the funding methodology that would apply from 2020/21onwards.

49. The benefit to East Sussex as a whole being 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 if it was not in a pool.

50. The question, when writing this strategy is what will now happen for 2020-21 if there is a standstill budget, and business rate retention of 75% is not introduced. There is the potential for all the pilots to end and the Council's funding reverts to a pooling arrangement with 50% retention (all subject to a further pooling application being successful). If this were to be the case the baseline funding level would hopefully be amended and /or Revenue Support Grant reinstated.

51. 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 - estimated at £1,536,715 in 2019/20. The same level is anticipated for 2020-21.

52. The rateable value (RV) of business properties at the start of the 2019/20 year was forecast to be some £62.7m (some £217,000 lower than 2018/19). However given the level of appeals, forecasting income levels for 2020/21 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.

53. 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). The projections for 2020-21 are made on a comparable basis – but could be overly optimistic in the event of a recession.

54. 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. At present this remains very challenging given no clarity from government.

Income and additional costs

55. The Council now has limited reserves and remains reliant upon income streams and investment returns to balance the budget. Given the welfare changes and low wage settlements there are continuing implications for a number of the Council's income streams in the medium term. Rental streams from shops remain under considerable pressure e.g. Priory Meadow, and limited rental growth income can be anticipated for

some years ahead.

56. Given that income streams remain at risk, fees and charges have been kept under careful review and are considered annually against the background of Council priorities, local economy and people's ability to pay. In general the policy has been to increase to a market rate (and by a minimum of inflation). Car parking charges were last increased in February 2019 for a 12 month period. It is understood that that the Council will not be looking to increase car park charges when determining the budget in February 2020 due to the level of increases in 2019, and the requirement to encourage economic activity within the town.

57. Given that income streams remain at risk, fees and charges are 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. For 2020-21, with a number of exceptions, fees and charges will be considered against market fees, and increased as a minimum by the retail price index - except where set by statute. The majority of planning fees are determined nationally by government.

Income Generation

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

59. 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/Rent Saved- 2019/20	MRP and Interest 2019-20	Net Additional Income 2019-20	Net Additional Income by 2023/24
	£	£	£	£
Muriel Matters	321,000			
MM Shops	41,000			
Sub Total	362,000	220,800	141,200	141,200
Muriel Matters - Council Chamber etc	23,000		23,000	23,000
Town Hall	97,000		97,000	97,000
BD Food Factory	40,000	91,488	(£51,488)	(£51,488)
Sedlescombe Road North	465,067	294,613	170,454	170,454
Sea Front Kiosks	7,900		7,900	7,900
Bexhill Rd Retail Park	547,080	356,660	190,420	190,420
Sedlescombe Rd North (2)	136,527	97,346	39,181	50,435
Bexhill Road Redevlopment Site				93,611
Lacuna Place	427,126	355,737	71,389	250,049
Heron House	190,000	107,952	82,048	82,048
Property Fund	85,000		85,000	85,000
Totals	**2,380,700**	**1,524,596**	**856,104**	**1,139,629**

60. The income generation figures shown above are included in the future year projections.

61. 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 and was reviewed in July 2019.

62. The Council's future income generation plans involve both capital and revenue expenditure. The Council is able to borrow for capital expenditure but must determine its overall borrowing limits prior to the start of the financial year. The purpose of setting borrowing limits is to ensure that the borrowing costs are prudent and affordable when determining the budget. It is able to vary them within the year, but such decisions can only be taken by full Council.

63. The borrowing levels are contained within the Treasury Management Strategy which is considered by the Audit Committee and Cabinet before being determined by full Council. Any changes would also necessitate a change to the Capital Strategy – also now determined by full Council.

Investment and Borrowing

64. The relatively low levels of interest received on investment balances looks set to continue. Base rates increased in August 2018 (to 0.75%) and assumptions made, given the restricted counterparties list and short investment periods, are for investment returns of around 0.75% in 2019/20.

65. However it looks certain that rates will now decrease again in early 2020 but the Brexit factor makes forecasting difficult. If however inflation looks set to increase significantly following a fall in the £ pound, then rates could be increased. The Treasury Management Strategy will continue to advocate a policy of keeping the respective levels of debt and investment under review. Investment returns for the purpose of the MTFS and 2020-21 budget are estimated at 0.5% p.a.

66. The Council has had significant additional borrowing requirements in recent years and continues to have an ambitious Capital programme for 2019/20 and beyond. The Capital expenditure agreed as part of the February 2019/20 budget, and subsequent decisions on Commercial properties will increase borrowing to levels to some £85m by 2021/22. This will increase annual borrowing costs substantially as well as the amount required to be set aside each year to repay this debt (the Minimum Revenue Provision). The costs appearing in the MTFS are estimates and will need to be refined in line with a revised Capital programme if and when agreed in February 2020. **There are substantial potential projects and developments that are detailed in the Capital section of this strategy that are currently unaffordable given the unsustainable nature of the Council's current budget.**

Inflation

67. This had not been a major issue over the last couple of years. In June 2019 it was 2.9% (Retail Price Index) whilst the government's preferred measure CPI (Consumer Price Index) was 2.0%.

68. Inflation, according to the Bank of England inflation report (August 2019) is expected to fall slightly by December 2019 and increase thereafter to some 2.4% by 2022 – subject to a smooth Brexit arrangement.

69. Based upon the above projections, general inflation is being allowed for at 2% overall for 2020/21 and beyond. However, only contract inflation is being allowed for in the budget i.e. a real cash freeze again for all other service expenditure areas. Any increases above this level would need to be contained within service budgets within the year.

Public Sector Pay Settlement and National Living Wage

70. The figures in the Medium Term Financial Strategy assume a 2.5% increase for 2020/21 and beyond. In addition there are contractual increments (equivalent of around ½%).

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

72. The Council remains committed to paying the accredited living wage of £9 per hour (for over 18's) and this is set to increase further with new rates being announced in November 2019. The national minimum wage for over 25s is £8.21 – from April 2019. 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

73. 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 (now partly reversed for some claimants).

74. 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.

75. The implications for staff and services is becoming better understood and will necessitate changes to the Council Tax Support scheme if the Council is not to be engulfed in numerous change of circumstance requests in the years ahead – albeit that this threshold has not yet been reached.

76. It should be noted that the final stage and timeline for converting existing working age Housing Benefit claims onto Universal Credit (to be completed by 2022) remains unclear. 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.

77. The Department for Work and Pensions (DWP) continue to provide some additional funding to the Council. Some of this had been funding external support organisations for those providing debt advice - this is now paid direct e.g. to Citizens Advice Bureau (CAB). 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.

78. The Benefit Administration Grant for 2019/20 was reduced to £389,046 (from £420,606) – a loss of £31,560 (7.5% reduction). A revision to the methodology has been advised which will see the Council continue to lose further grant (transitioned over 3 years). A 7.5% reduction is estimated for 2020-21.

79. The level of Council Tax Support Administration Grant receivable in 2019/20 was £160,753 (£166,913 received in 2018/19). This represents a reduction of £6,160 (a 3.7% reduction) and further reductions are anticipated for 2020-21. A 4% reduction is estimated for 2020-21.

80. 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

81. 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. In 2019/20 the Council retained 100% support for those most in need but made various changes to the scheme e.g. limiting assistance to the maximum of a Band D equivalent property.

82. 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. Options have again being explored by this Council for 2020/21. These have included minimum payments of 3%, 10%, or 15%.

83. The projections are that the cost of the scheme will increase from some £10.6m to some £10.85m in 2020/21, and the deficit identified in this budget report would increase by a further £35,000 (HBC's share of the additional £250,000 p.a. additional cost). If there is recession with more people claiming benefit the costs could increase very substantially.

84. Following a review by lead members the Council is proposing not to make any amendments to the scheme for 2020/21.

85. 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.

Priority Income and Efficiency Reviews (PIER) Process

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

The objectives of the process are as follows:-

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

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

88. The scale of the budget savings required to balance the budget on a sustainable basis for 2019/20 and beyond is large. The time between the identification and the achievement of savings, as well as income generation, can be significant and the Council will need to be prepared to continue to use a proportion of its reserves to balance the budget and for future invest to save initiatives.

Pension Fund Contributions

89. The Council's contributions to the pension fund managed by East Sussex County Council are determined every three years following an actuarial valuation. A new valuation is being undertaken during 2019 with revised contribution rates becoming payable from April 2020.

90. 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:

The rate for 2019/2020 is : 17.3% +0.75% + lump sum of £594,000

91. The above lump sum figure represented growth of £54,000 in 2019/20. The rates had been expected to be more stable in the years beyond 2020/21and no increase had

previously been expected (above and beyond the impact of annual pay increases). However, given a recent ruling called the McCloud judgement, changes made to various pension schemes since 2015 have been ruled to breach age discrimination rules.

92. The implications based on salary increases range between 0.1% to 3.2% on an accounting basis in relation to active liabilities and close to 1% on overall accounting liabilities. At this stage an additional £50,000 p.a. has been allowed for in 2020-21.

Staffing, Information Technology and Property

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

94. 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.

95. A transformation team continues to pull together the customer first programme, process and service reviews along with IT solutions to make long term efficiencies and improvements to the customer experience.

96. 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

97. 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, Future Cities, and Active Women Programme, Answers in the Local Economy (ACE), Hastings Fisheries Local Action Group (HFLAG), Coastal Communities funding.

98. 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 has been 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)

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

100. 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. It should be noted that this inflates the Council's net expenditure figures (the funding is included in transfers from reserves).

New Homes Bonus

101. 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 2019/20 amounting to £556,337 (down from £649,559 in 2018/19).

102. 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 was 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.

103. The Council Tax Base return (CTB 1 in October each year) identifies that the number of new properties completed and the number of long term empty properties brought back into use (net). For the 2019/20 calculation this amounted to some 141 but 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.

The table below shows the estimated New Homes Bonus receivable by the Council in 2020/21 and estimates for future years – based on no further changes to the grant.

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
Total	1,008,964	649,559	556,337	174,282	168,682	26,320

104. The reduction between 2019/20 and 2020/21 is an estimated **funding loss of £382,000**.

105. Councils have used 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, and if there is no replacement scheme this is a severe funding reduction.

106. As identified in February 2019 there remains a real risk that this grant regime could be ended as part of the "Fair Funding review" and not replaced. The government did state that they would explore how to incentivise housing growth most effectively, by for example using the housing delivery test results to reward delivery or incentivise local plans that meet or exceed local need, but nothing has been communicated since.

Indicative Base Budget Position for 2019/20 to 2022/23

107. An Indicative budget forecast for the 10 year period 2019/20 – 2028/29 has been produced (Appendix 1) to reflect the issues raised as part of the review of the MTFS. This is indicative given the uncertainty surrounding the costs of some of the financial pressures and funding levels and the recognition that further work is required to refine these figures before the budget is finalised in February 2020. The forecast does not include any costs associated with additional Capital projects other than those already included within the Capital programme

Summary of Financial Position

108. When setting the budget in February 2019, forecasts of future deficits were identified. These amounted to £2.4m in 20-21, £1.8m in 21-22 and £1.9m in 22-23. With projected increases in temporary accommodation costs, revisions to income generation forecasts, increased inflation and wage increases, reductions in funding from New Homes Bonus, etc., the deficits look to set to increase substantially.

109. During 2019-20 work has been undertaken to identify further savings, firstly in order to spend less in the year, thus preserving more transition funding to help meet the deficit in 2020/21, and secondly to identify on-going savings for future years.

Additional PIER savings identified during 2019-20	2019-20	2020-21
Savings	£'000s	£'000s
Environment and Place	(96)	(87)
Corporate Services	(157)	(156)
Regeneration and Culture	(26)	(31)
Housing and Environment	(37)	(37)
Insurance Contract	(150)	(150)
Rates reduction - cemetery	(35)	(35)
Staff Post reductions - not included above	(77)	(80)
Total Savings	**(578)**	**(576)**
Growth		
Temporary Accommodation GROWTH (net)	**191**	**191**
Net Savings	**(387)**	**(385)**

110. From the above table, the review of under and overspends following the closedown of the 2018/19 accounts, along with areas identified during 2019/20 have identified potential savings of £578,000 in 2019/20 and £576,000 in 2020-21.

111. The savings are offset by estimates of additional costs (£191,000 in 2019/20 – net of benefits) in respect of temporary accommodation – even after acquiring nearly £3.2m of properties within the borough for this purpose during late 2018-19 and early 2019/20.

112. Additional savings e.g. PIER savings included in the budget projections for 2020-21 in February 2019 amount to £605,000 and include such items as reduced contributions to the theatre (£100k), Commercial Property income (£203k net of borrowing and MRP costs), Revenues, Benefits and contact centre savings from self-service (£150k).

113. The table below summarises the estimated deficits for the current and next 4 years. of £1.487m in 2019/20 (down from £1.747m), £1.5m in 2020/21, £1.6m in 2021/22, £1.8m in 2022/23, and £1.7m in 2023/24. These figures are after the use of reserves.

	Original 2019/20	**Revised 2019/20**	**(Est) 2020/21**	**(Est) 2021/22**	**(Est) 2022/23**	**(Est) 2023/24**
	(£000's)	(£000's)	(£000's)	(£000's)	(£000's)	(£000's)
Net Expenditure	15,116	14,831	14,956	14,822	15,198	15,346
Funding	(13,369)	(13,369)	(12,912)	(13,301)	(13,455)	(13,736)
Shortfall / (Surplus)	**1,747**	**1,462**	**2,044**	**1,521**	**1,743**	**1,610**
Use of Transition Reserve	(1,096)	(811)	(389)			
Use of Resilience and Stability Reserve			(159)			
Use of Community Safety Reserve	(250)	(250)				
Use of Economic Development Reserve	(401)	(401)				
Total use of Reserves	(1,747)	(1,462)	(548)	0	0	0
Estimated Shortfall (after Reserves)	**0**	**0**	**1,496**	**1,521**	**1,743**	**1,610**

114. 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. In 2020-21 the use of £389k of the Transition Reserve represents the remaining balance of the reserve – this figure is totally dependent upon the final outturn position of 2019/20. The Resilience and Stability Reserve would be used to fund the business rate deficit that is currently forecast.

115. **Whilst significant progress has been made to identify savings for 2020-21, the net deficit remaining is £1.496m for which savings/cuts need to be identified.**

Council Tax

116. The Council has a record of lower than average tax increases.

Year	Hastings BC Tax Increase	National Average Increase	Hastings BC Council Tax Band D (£)
2010/11	1.9%	1.8%	235.85
2011/12	0%	0%	235.85
2012/13	0%	0.3%	235.85
2013/14	0%	0.8%	235.85
2014/15	0%	0.9%	235.85
2015/16	1.9%	1.1%	240.33
2016/17	2.1% (£5)	3.1%	245.33
2017/18	2.0% (£5)	4.0%	250.33
2018/19	2.99%	5.1%	257.81
2019/20	2.98%	4.7%	265.50

117. In considering any Council Tax increase in 2020/21, 1% on the Council Tax will equate to around £69,000.

118. For 2019/20 the government announced a shire district or borough Council could 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.

119. The MTFS includes the assumption of a 2.99% or £5 increase (whichever is higher) in Council Tax for 2020/21 and 2% for each of the years beyond.

CAPITAL

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

(a) Contribute towards achieving the Council's corporate priorities
and one or more of the following,
(b) be of a major social, physical or economic regeneration nature,
(c) meet the objective of sustainable development,
(d) lever in other sources of finance such as partnership/lottery funding or provide a financial return for the Council,
(e) is an "invest to save" scheme and reduces ongoing revenue costs to assist the revenue budget.

121. The Council’s capital programme for 2019/20 and the next 2 years, as approved in February 2019, amounted to some £30.3m (£23.6m net of grants and contributions). The capital programme will be considered as part of the budget process and decisions taken in the light of available resources.

122. For the purposes of planning the Council has used 9% as the cost of capital (4% capital repayment and 5% in respect of long term interest). If an asset has a shorter life (than 25years) then the capital repayment percentage (4%) must increase e.g. percentage becomes 10% for an asset with a 10 year life.

123. The 5% used in respect of long term interest is considered to high at present and will be revised to 3% for planning purposes. When looking at the viability of individual schemes being proposed current rates of interest are also used.

124. The capital programme has significantly increased in the last few years, as economic and regeneration opportunities have been taken. In 2018/19 borrowing increased by some £19.4m to £61.068m. Additional capital expenditure has been approved by Cabinet since February 2019 which will increase the overall indebtedness of the Council.

125. There is a need to maintain assets to avoid higher long term maintenance costs. This is especially critical where the Council's commercial estate is involved if rental streams are to be maintained and industry is to be attracted to the area - and also given the increase in competition for tenants. The Council maintains a Renewal and Repair Reserve for significant items of programmed work. Where major works or alterations are required these will be included within the capital programme. It should be noted that the annual Revenue expenditure is out-stripping the contributions being made to the reserve. It should be highlighted that there continues to be further works required to the cliffs for which estimates are being sought. A significant element of such works are classed as revenue costs and General Reserves will be required to fund these – or elements thereof for many years to come.

126. The Council's Capital programme remains ambitious. There are in additional a whole series of potential developments in the pipeline. Appendix 3 highlights some of these e.g. new sports and cultural development centre at Bohemia (estimated at some £60m), the development of houses at Bexhill Road, Harrow Lane, Mayfield E etc, Commercial properties at Churchfields. The ones identified amount to some £185m over the next 5 years or so, and are not all affordable given the unsustainability of the revenue budget, and the limited level of reserves available to meet the cash flow requirements, feasibility studies etc.

127. A revised Capital Strategy will be produced for 2020/21, but the affordability is dependent on the future funding of the Council and achieving a balanced budget. There remains a small amount of flexibility within the current borrowing approval limit for new Capital schemes in 2019/20 where these can be shown to be revenue neutral.

Capital Receipts

128. The Council's land disposal programme for this financial year is budgeted to produce capital receipts amounting to £185,000 in 2019/20, as well as for 2020/21 and again for 2021/22. Any new capital expenditure proposals would be costed on the basis that they would have to be funded by borrowing.

129. Capital receipts will continue to be received in the period of the strategy, but given the income generation proposals and the potential for the Council to develop sites itself or in conjunction with a partner the timing of any disposal is expected to be further into the future. The presumption remains that the Council will only dispose of

sites after considering the income generation potential.

130. However, it remains imperative that the Council maximises its capital receipts. Failure to do so may necessitate curtailment of the already very limited capital programme given the costs that are faced if the Council has to borrow.

131. The Council should consider disposing of all or some of its ready to develop sites if it to finance the larger initiatives in its programme as well as avoid the costs associated with temporary accommodation.

Minimum Revenue Provision (MRP)

132. 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.

133. 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.

134. The MRP is set to increase substantially in 2020/21 and beyond as a result of additional borrowing, particularly in respect of economic and regeneration initiatives. The Council’s MRP policy is determined by full Council as part of the Treasury Management Strategy in February for the forthcoming year.

135. The table below identifies the estimated Capital Financing Requirement (CFR) for each of the next four years and the Minimum Revenue Provisions (MRP) as per the February 2019 budget report.

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

136. The above figures are very much dependent upon the level and timing of the capital acquisitions, the level of capital receipts received and the useful life of the assets acquired or constructed.

137. The figures will be refined for the revised 2019/20 budget, based on the proposed Capital programme and timing thereof. The MRP for 2019/20 is now estimated at

some £1.286m – the additional amount being more than offset by rental income.

Reserves

138. The strategic reasons for holding reserves are:-

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

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

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

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

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

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

140. For the purposes of the strategy estimates have been made of expenditure funded from reserves in order to arrive at reserve balances as the end of the current financial year i.e. 31 March 2020. In total reserves are estimated to decline by some £3.4m in the year to £15.069m.

141. The £15.069m figure is broken down between General Reserves (£7,764,000) and Earmarked Reserves (£7,305,000).

Namely:-

	Estimated Balance
	at 31.3.2020
General Reserves	**£'000s**
Revenue Reserves	7,714
Capital Reserve	50
Total	**7,764**

	Estimated Balance
	at 31.3.2020
Earmarked Reserves	**£'000s**
Renewals and Repairs Reserve	1,234
Insurance & Risk Management Reserve	315
IT Reserve	128
S106 Reserve	479
Government Grant Reserve	615
Revenue Hardship Fund	80
Monuments in Perpetuity	42
Ore Valley	250
Disabled facility Grant	1,674
Invest to Save and Efficiency Reserve	119
Resilience and Stability Reserve	441
Transition Reserve	389
Redundancy Reserve	106
Community Safety Reserve	0
Community Housing Fund	74
Selective Licensing	574
Safer Hastings Partnership Reserve	81
Other reserves e.g. On street parking, CCG	704
Total	**7,305**

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

143. The protection of key services remains of crucial importance to the Council and the Transition Reserve, Economic Development Reserve and Community Safety Reserve have provided the Council with the opportunity to protect some key services and activities for this year and the last two financial years.

144. Given the savings identified in 2019/20 to date, if achieved then there will be some £389,000 of Transition Reserve available in 2020-21 to help balance the budget – should the Council so choose.

145. The budget report will advise further on the minimum level of reserves to be maintained. Given the future grant losses, the need to transform services on a continuing basis until 2021/22 and potentially beyond, and the need to cope with unexpected events or claims or unexpected income losses, the minimum level of general reserves (un-earmarked) was set at £6m for 2018/19 and again for 2019/20. There remains, along with the potential NHS claim, numerous examples of the need to retain adequate reserves many of which are identified in the risk section of this report.

Budget 2020/21 and beyond

146. The reductions in government funding combined with additional expenditure particularly in the areas of waste collection, street cleaning and temporary accommodation now necessitate the identification of significant savings for 2020-21.

147. To date there are some £1.181m of savings identified in the Appendix Attached (rows 7 to 27), with additional costs identified of £651,000 (rows 2to 4 and row 29).

148. To achieve a balanced budget in 2020/21 (using Transition funding of £389,000 and the resilience and Stability Reserve £159,000) further savings of £1,496,000 need to be identified.

149. To achieve a balanced budget in 2021/22 further savings of £25,000 (on top of the £1.496m) need to be identified (£1.521m in total). The Transition Reserve will have been fully exhausted.

    This also assumes that the Council receives the same or similar funding levels under the Fair Funding Review and the retention of 75% of business rate growth.

150. To achieve a balanced budget in 2022/23 savings of £1,743,000 in total need to be identified.

151. These figures do need to be treated with some caution (they may be too optimistic) given the potential for recession, inflation and greater uncertainties than ever in the budgeting process. The volatility in income streams has increased in respect of the business rate retention scheme and will increase yet further with the 75% business rate retention scheme.

152. The Reserves policy, to be determined as part of the budget process, will continue to take account of risks, and will also need to take into account the ability of the Council to address the indicative funding gaps within the timescales identified.

153. The Council must still retain sufficient reserves to meet significant and unexpected expenditure items. Whilst the Council has some £1.7m of uncommitted General Reserves the use of these severely prejudices its ability to fund any of the major redevelopment proposals it wishes to complete. These may also be required to fund redundancy costs.

154. The key determinants of the gap for future years include, the EU exit vote (Brexit) and impact on income streams and funding, funding settlement in 2020/21, the New Homes

Bonus, Benefit Administration grant, Business rates income and appeals, NHS rates claim, inflation and interest rates, the level of savings that can be identified and actually achieved, and the level of additional income that can be generated.

155. In view of the reduced resources available in 2020/21 and beyond the Council must continue to review the level of service it can provide and transform the way it delivers those services.

156. Priority, at least in the short to medium term, needs to be directed towards income generation and balancing the budget.

Options for Reducing the Deficit

157. There are a number of actions that can be taken to reduce the deficit, but based on the likelihood of no additional funding overall from the Spending Review, Fair funding review, 75% business rate retention, and changes to the New Homes bonus, service reductions seem an inevitable consequence at the time of writing.

158. Some of the actions that can be considered beforehand include:

    a. 2019/20 Budget Review – the 2018/19 budget out-turn identified under and overspends in some areas. These have been reviewed as part of the 2020/21 budget setting process with the aim of identifying ongoing savings. To date savings of some £578,000 have been identified in 2019/20 and £576,000 for 2020-21.

    b. Property Acquisition – The Council to build or acquire additional commercial property where these contribute to the Council's economic and regeneration priorities for the town and help to maximise and safeguard business rate income for the future. A sum of £10m could potentially generate additional income of some £200,000 p.a. There are risks of doing so and these would need to be carefully considered as part of the Treasury Management Strategy and the new Capital Strategy (determined by full Council).

    c. Asset Disposals – The Council has been looking at the potential of developing its own property sites (potentially as a joint venture) and to this end is seeking external advice at the benefits and pitfalls (Harrow Lane, Mayfield E, Bexhill Road sites). As a minimum the Council could dispose of the sites quickly and invest the sums received. Capital receipts of £5m invested in the CCLA Property Fund could attract interest of 4.5% i.e. some £225,000 p.a. or £275,000 p.a. if invested directly in a property returning 5.5% p.a. (net).

    d. Bohemia Site – This site has significant potential, but many unknowns at present. The potential for a new leisure centre and cultural centre (estimated at some £60m) which may or may not generate a surplus is being investigated. The costs of such studies are revenue expenditure.

       The Council will need to consider to what level it is prepared to increase borrowing to fund such developments and at what risk to the Council's ability to

continue to provide services should such schemes go badly wrong.

e. Income Generation (Energy) – the income strategy was reviewed this year and financial projections particularly from wind turbine initiatives was far too optimistic given planning restrictions. It may be that wind energy may provide the Council with significant income in some future years but there is insufficient certainty at present to include any figures in the Medium Term Financial Strategy. Likewise studies on solar energy have not been completed and whilst these are expected to be economic there is no certainty on figures or timelines.

f. Transforming Services/ Sharing Services/Resources – Whilst there are currently no plans for local government reorganisation in East Sussex, the continuing need for savings may necessitate further review of existing arrangements between authorities. Likewise the transformation programme within the Council needs to be progressed as quickly as practically possible given the range of priorities.

g. Council Tax Reduction Scheme – The increasing annual cost of the scheme will need to be considered by the Council and options considered to reduce it. Most Councils have had to reduce the level of support to some degree – although this Council has managed to maintain some 100% support levels for longer than the other East Sussex authorities. The Council consults on any changes. For 2020/21 the Council will not be proposing any changes to the scheme. This has consequences for ESCC, the Police and Crime Commissioner, Fire Authority and Hastings BC.

h. Discretionary Rate Relief – the Council has to provide notice to recipients if it is to change the existing scheme. The Council may well wish to consider reviewing the scheme within the next 12 months for 2021/22 given the budget position.

i. Staff reductions – Whilst every opportunity needs to be taken to avoid losing key staff and experience, and certainly avoid compulsory redundancies, the funding reductions and expenditure pressures are such that the council may have no option but to reduce staffing costs. To reduce costs by some £1.5m p.a. would result in an estimated loss of 30 to 50 posts (Full Time equivalents) and the costs of doing so could exceed the level of funds within Council's Redundancy Reserve.

159. Action A has been assumed in the budget projections within the Appendix. If actions (b) and (c) were agreed by full Council then additional revenue/ savings, estimated at some £425,000 p.a. could be achieved in a full year. Assuming agreed at full Council in February 2020 and completed by 2021/22, the annual deficits would are estimated at :

2020/21 - £1.5m
2021/22 - £1.1m
2022/23 - £1.3m

However, there are areas such as Cliff works and the reservoir works that may be a first call on the Capital receipts in order to avoid revenue consequences of borrowing.

160. In terms of “one off” receipts, the long outstanding business rate appeals could be settled during 2020/21 and if settled for less than provided for could result in one-off income for the Council.

161. Against these factors are volatility in the economy on interest rates/ inflation flowing from Brexit uncertainty, the Council Tax reduction scheme (volatility thereof), plus the NHS claim for charitable rate relief. Risk management is expanded on below.

Risk Management

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

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

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

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

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

    i. Government funding, including the New Homes Bonus grant

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

    iii. Council Tax Support Scheme and Council Tax collection rates

    iv. Income Streams – preservation and particularly enhancement

    v. Joint working/ shared services.

    vi. Staffing / Knowledge management. The loss of key staff through early retirement or redundancy, or ability to attract and retain staff.

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

The Council Tax Support Scheme was introduced from April 2013 accompanied by government funding reductions of 10%. Whilst the Council mitigated much of the impact on those claiming benefits it may not be able to do so to the same degree in the future following further reductions in government support. There remains the additional risk of increased benefit payments being made in the year – the financing risk now falling on the Council. To help protect the Council a Resilience and Stability Reserve was established to help meet any unavoidable additional costs that arise in the year (£159,000 estimated use in 2020/210.

viii. Restructuring Costs

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

ix. Treasury Management

Investment security and level of returns, plus level of debt and repayment thereof. The exposure to interest rate movements and inflation. Given the level of borrowing, and the use of different investment products, more time is required to manage this area of activity.

x. The Economy

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

xi. Income generation and risks arising from new initiatives e.g. housing company, social lettings agency, licensing schemes, new factory units. These would include added exposure to void periods and business rate and debt liabilities for example. As a result wherever possible reserves are enhanced and if not possible then at least preserved. The ability to add to them once depleted would be possible but at the cost of severe service reductions.

xii. Land Charges – responsibilities are being transferred. By 2022/23 the Council could lose some £195,000 p.a. of income.

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

Equalities and Community Cohesiveness

168. The equalities implications of individual budget proposals are the subject of an Equalities Impact Assessment (available when consultation is undertaken).

Climate Change

169. The Council's budget does not contain separate budgets to tackle Climate Change, other than the Sustainable Energy and Development budget and the funding for the Sustainability Policy Officer. There are numerous Council initiatives that currently contribute towards reducing the impact of Hastings and its residents on climate change. All initiatives and plans need to be considered in the production of the Council's corporate plan for 2020-21 and the financial resources available.

Consultation

170. The 2020/21 budget proposals will be consulted upon from the middle of January 2020 and will be considered by Cabinet on the 10 February 2020 and determined by full Council on 19 February 2020 (or the 26th).

Contact Officer: Peter Grace, Chief Finance Officer,

Email pgrace@hastings.gov.uk

APPENDIX 1

Ref	Revenue Budget Forward Plan	2019-20 Budget £000's	2019-20 Revised Budget £000's	2020-21 Budget £000's	2021-22 Projection £000's	2022-23 Projection £000's	2023-24 Projection £000's	2024-25 Projection £000's	2025-26 Projection £000's	2026-27 Projection £000's	2027-28 Projection £000's	2028-29 Projection £000's
1	**Net Service Expenditure**	**13,325**	**13,325**	**13,758**	**14,202**	**14,657**	**15,124**	**15,602**	**16,092**	**16,594**	**17,109**	**17,637**
	Funding Commitments:-											
2	Pension Fund - Employers increase			50	50	50	50	50	50	50	50	50
3	Election Costs (bi-annually)			110		110		110		110		110
4	Waste and Street Cleaning Contract			300	300	300	300	300	300	300	300	300
5	Hastings Hsg Company - loans (offset by MRP + Interest payable)			(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)
6	**Savings/Additional Income Identified - PIER**											
7	Commercial Property (before borrowing MRP costs)			(203)	(215)	(244)	(393)	(393)	(393)	(393)	(393)	(393)
8	Community Partnership Funding			(8)	(156)	(156)	(156)	(156)	(156)	(156)	(156)	(156)
9	Theatre - Reduced Contribution			(100)	(200)	(300)	(300)	(300)	(300)	(300)	(300)	(300)
10	Community Cohesion			(15)	(15)	(15)	(15)	(15)	(15)	(15)	(15)	(15)
11	Contact centre - channel shift			(23)	(46)	(46)	(46)	(46)	(46)	(46)	(46)	(46)
12	Planning Enforcement			(17)	(17)	(17)	(17)	(17)	(17)	(17)	(17)	(17)
13	Street Cleaning			(12)	(12)	(12)	(12)	(12)	(12)	(12)	(12)	(12)
14	Parks and open spaces			(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)
15	Business Support -use of E-learning			(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)
16	Stade Saturdays			(5)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)
17	Digital by design - moving services on line (EST)				(80)	(80)	(80)	(80)	(80)	(80)	(80)	(80)
18	Revenues & Benefits & Contact Centre - Document Man System			(150)	(190)	(190)	(190)	(190)	(190)	(190)	(190)	(190)
19	Fees and Charges			(60)	(120)	(180)	(240)	(300)	(360)	(420)	(480)	(540)
20	**Additional PIER savings identified during 2019-20**											
21	Environment and Place		(96)	(87)	(87)	(87)	(87)	(87)	(87)	(87)	(87)	(87)
22	Corporate Services		(157)	(156)	(156)	(156)	(156)	(156)	(156)	(156)	(156)	(156)
23	Regeneration and Culture		(26)	(31)	(31)	(31)	(31)	(31)	(31)	(31)	(31)	(31)
24	Housing and Environment		(37)	(37)	(37)	(37)	(37)	(37)	(37)	(37)	(37)	(37)
25	Insurance Contract		(150)	(150)	(150)	(150)	(150)	(150)	(150)	(150)	(150)	(150)
26	Rates reduction - cemetery		(35)	(35)	(35)	(35)	(35)	(35)	(35)	(35)	(35)	(35)
27	Staff Post reductions - not included above		(77)	(80)	(80)	(80)	(80)	(80)	(80)	(80)	(80)	(80)
28	**Growth Items**											
29	Temporary Accommodation GROWTH (net)		191	191	191	191	191	191	191	191	191	191
32	**Other items/ Adjustments**											
33	Contingency Provision	300	300	300	300	300	300	300	300	300	300	300
34	Interest (net of Fees) & other Adjustments Excl Inc Gen	1,335	1,335	1,235	1,235	1,235	1,235	1,235	1,235	1,235	1,235	1,235
35	Minimum Revenue Provision (excl. Inc Gen Adjs)	1,184	1,286	1,421	1,421	1,421	1,421	1,421	1,421	1,421	1,421	1,421
36	Contribution to Reserves	744	744	744	744	744	744	744	744	744	744	744
37	Net Use of Earmarked Reserves	(1,772)	(1,772)	(1,772)	(1,772)	(1,772)	(1,772)	(1,772)	(1,772)	(1,772)	(1,772)	(1,772)
38	**Net Council Expenditure**	**15,116**	**14,831**	**14,956**	**14,822**	**15,198**	**15,346**	**15,874**	**16,194**	**16,746**	**17,091**	**17,669**
39	Taxbase	25,865	25,865	26,124	26,385	26,649	26,915	27,184	27,456	27,731	28,008	28,288
40	Council Tax	265.50	265.50	273.44	278.91	284.49	290.18	295.98	301.90	307.94	314.09	320.38
41	**Funding**											
42	From Collection Fund - Council Tax	(6,867)	(6,867)	(7,143)	(7,359)	(7,581)	(7,810)	(8,046)	(8,289)	(8,539)	(8,797)	(9,063)
43	From Collection Fund - Business Rates	(3,563)	(3,563)	(3,563)	(3,634)	(3,707)	(3,781)	(3,857)	(3,934)	(4,013)	(4,093)	(4,175)
45	New Homes Bonus	(556)	(556)	(174)	(168)	(26)						
46	Council Tax Support Admin Grant	(161)	(161)	(155)	(148)	(142)	(137)	(131)	(126)	(121)	(116)	(111)
47	Housing Benefit Admin Grant	(389)	(389)	(360)	(333)	(308)	(285)	(263)	(244)	(225)	(208)	(193)
48	NNDR (Surplus) / Deficit	(28)	(28)	159								
49	NNDR Pooling	(91)	(91)	(58)	(58)	(58)	(58)	(58)	(58)	(58)	(58)	(58)
50	Business Rates Section 31 Grant	(1,569)	(1,569)	(1,569)	(1,600)	(1,632)	(1,665)	(1,698)	(1,732)	(1,767)	(1,802)	(1,838)
51	Council Tax Surplus	(145)	(145)	(50)	0	0	0	0	0	0	0	0
52	**Contribution To General Fund**	**(13,369)**	**(13,369)**	**(12,912)**	**(13,301)**	**(13,455)**	**(13,736)**	**(14,054)**	**(14,383)**	**(14,723)**	**(15,075)**	**(15,438)**
53	**Funding Shortfall / (Surplus)**	**1,747**	**1,462**	**2,044**	**1,521**	**1,743**	**1,610**	**1,820**	**1,811**	**2,023**	**2,016**	**2,230**
54	**Use of General Reserve**	0	0									
55	**Use of Transition Reserve**	(1,096)	(811)	(389)								
56	**Use of Resilience and Stability Reserve**			(159)								
57	**Use of Community Safety Reserve**	(250)	(250)									
58	**Use of Economic Development Reserve**	(401)	(401)									
59	**Net Funding Shortfall / (Surplus)**	**0**	**0**	**1,496**	**1,521**	**1,743**	**1,610**	**1,820**	**1,811**	**2,023**	**2,016**	**2,230**

Key Assumptions

Line 1 General Inflation has been assumed of 2% for 2020/21 and beyond – but only applied to contracts. Wage inflation: 2.5% assumed for 2020/21 and beyond plus ½% p.a. representing contractual increments.
Line 2 Pension fund cost increases – an additional £50,000 p.a. in 2020/21 and fixed thereafter.
Line 3 Local elections – the costs are next budgeted for in 2020/21 (every two years).
Line 4 Waste and Street Cleaning Costs – Full year in-house and contract costs,
Line 5 Housing Co. Income – offsetting the Council borrowing costs (MRP & interest)
Lines 7 – 18 PIER savings already identified
Line 19 – Estimated increase in Fees and Charges (above the 2% in the net budget)
Lines 21 – 27 – Additional Savings identified following review of 2018/19 outturn and 2019/20 budgets.
Line 29 – Temporary Accommodation costs – Budget Growth
Lines 33 to 37 - funding adjustments and reprofiling of expenditure against base budget. MRP in respect of income generation not included as Income figures in line 7 above shown net
Line 39 Recalculation of the taxbase. Assumes a 1% increase each year, and no downturn in the economy or increases in the amounts paid out in respect of the Council Tax Support scheme.

Line 40 A Council Tax increase of 2.99% for 2020/21 and 2% for future years has been included for the purposes of this Strategy. The expected increase in Council Tax Reduction Scheme costs has yet to be included in these projections.

Lines 42 to 51 Funding. The Universal Credit rollout is expected to continue for existing claims and leads to greater uncertainty on the future funding levels of the Housing Benefit Administration Grant. For budget planning purposes a decrease of some 7.5%p.a.has been assumed. There is a deficit on the collection fund in respect of business rates due mainly to prior year appeals and reimbursements. This is the Council's share of the overall deficit.

Line 49 Business rates pooling – with other East Sussex authorities including the Fire Authority. The levels of income are projected to decrease in 2020/21 as the pilot project may end (revert to a 50% pool) for budget planning purposes. It is expected that 2021/22 will see a new funding regime (75% rate retention).

Line 51 Surplus on the Collection Fund in respect of Council Tax collection. This is the Council's share.

Line 55 Transition Reserve – The Council will use the Transition Reserve to support the budget. The original £2.2m is fully exhausted by 2020/21

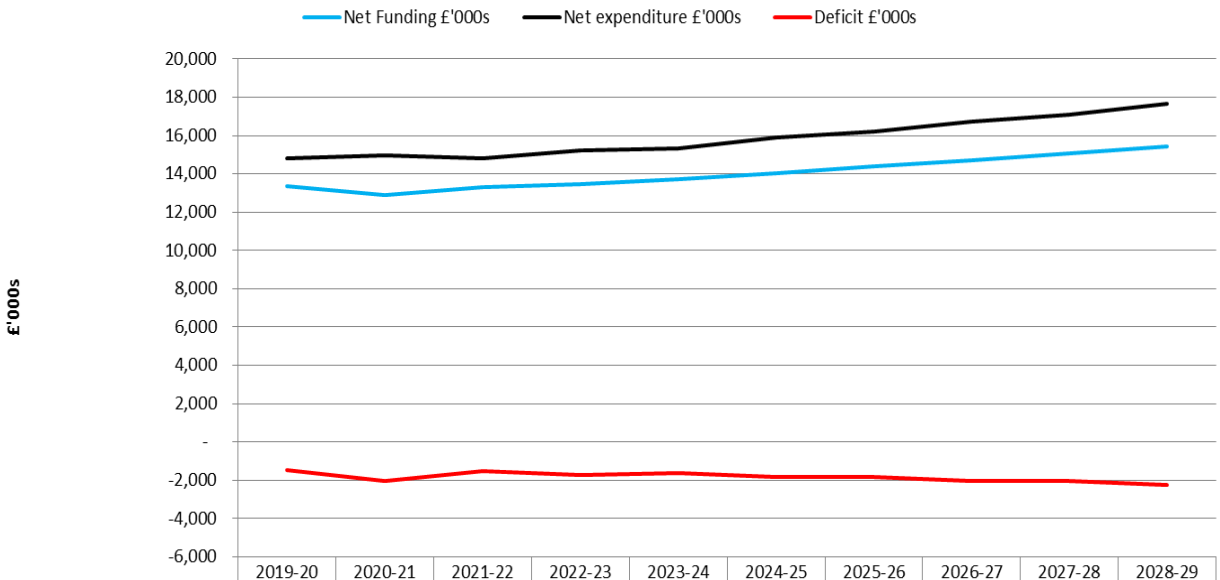
Line 56 Resilience and Stability Reserve – The Council will use the fund to meet some of the detrimental impacts of the business rate appeals – £159,000 estimated use in 2020-21.

Line 57 Community Safety Reserve – established as part of the 2011/12 budget from Transition Grant (£350,000). The reserve is fully exhausted in 2019/20

Line 58 Economic Development Reserve – established as part of the 2011/12 budget making process from Transition Grant (£400,000). This reserve is fully exhausted in 2019/20.

Line 59 Funding Gap: the predicted deficits in 2020/21 to 2028/29 assuming all PIER savings are achieved, government funding levels remain the same, income levels are maintained, and there is no recession or inflationary pressures.

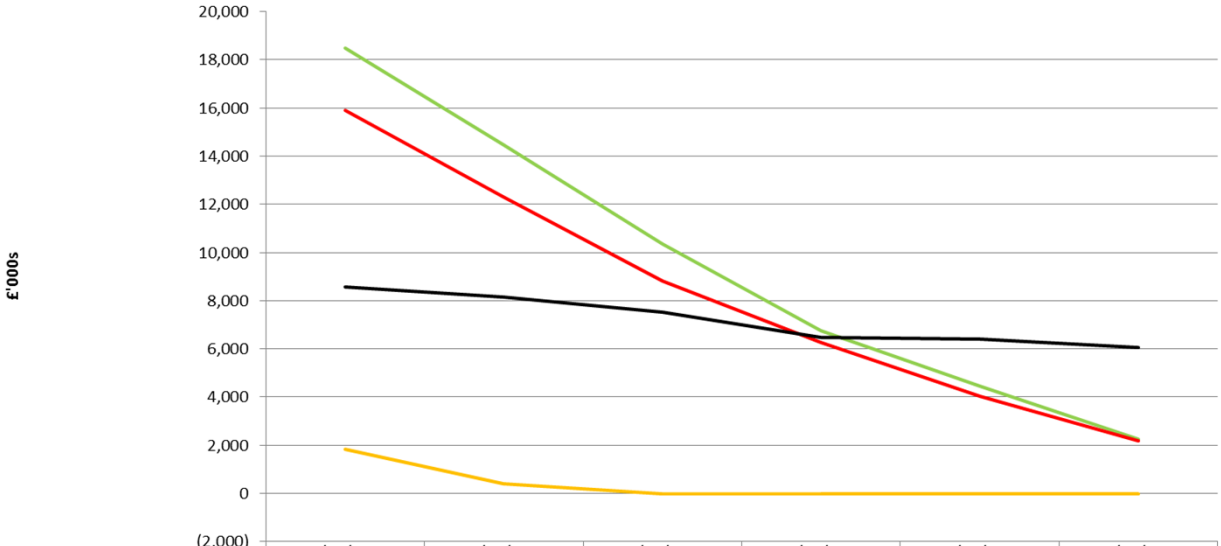
HBC - Funding/Net Expenditure & Deficit Projections (10 years)



	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Net Funding £'000s	13,369	12,912	13,301	13,455	13,736	14,054	14,383	14,723	15,075	15,438
Net expenditure £'000s	14,831	14,956	14,822	15,198	15,346	15,874	16,194	16,746	17,091	17,669
Deficit £'000s	(1,462)	(2,044)	(1,521)	(1,743)	(1,610)	(1,820)	(1,811)	(2,023)	(2,016)	(2,230)

Year

HBC - Projected Reserve Balances as at August 2019



	31/03/2019	31/03/2020	31/03/2021	31/03/2022	31/03/2023	31/03/2024
All Reserves £'000s	18,476	14,474	10,342	6,741	4,443	2,244
Transition Reserves £'000s	1,851	389	0	0	0	0
HBC Usable Reserves £'000s	15,903	12,304	8,805	6,265	4,030	2,171
Minimum level £'000s	8,573	8,170	7,537	6,476	6,413	6,073

Appendix 3

Capital Programme - Potential New Schemes

			Interest Only @2.7%	MRP	Total
New Developments/Known issues	**Financed over (Yrs)**	£	£	£	£
Temporary Homelessness Accommodation (Phase 2 - reduce Income Gen £5m provision)	40	2,600,000	70,200	65,000	135,200
Priory Street Car Park - future large scale repairs say £1.4m	20	1,400,000	37,800	70,000	107,800
Buckshole Reservoir	20	2,000,000	54,000	100,000	154,000
Cliff works / Repairs (Revenue vs Capital Split??) - Spend over 2 or3 years? Plus £100k p.a. Revenue	10	1,000,000	27,000	100,000	127,000
Cornwallis Street Car Park - Development	40	6,426,000	173,502	160,650	334,152
Harold Place Development Site (£100k to £1,000,000) - £100k option	40	160,000	4,320	4,000	8,320
Lacuna Place (Development of Ground Floor) (£350k to £700,000)	20	350,000	9,450	17,500	26,950
Industrial Units - Churchfield Estate (Sidney Little Road):Plot 2 - 35,000 Sq Ft Factory / Separate units	40	4,540,000	122,580	113,500	236,080
Industrial Units - Churchfield Estate (Sidney Little Road):Plot 2 - 35,000 Sq Ft Factory / Separate units	40	(2,000,000)	(54,000)	(50,000)	(104,000)
Industrial Units - Churchfield Estate (Sidney Little Road):Plot 3 - 3 to 8 Factory Units (flexible sizes)	40	2,500,000	67,500	62,500	130,000
Industrial Units - Churchfield Estate (Sidney Little Road):Plot 3 - 3 to 8 Factory Units (flexible sizes)	40	(1,000,000)	(27,000)	(25,000)	(52,000)
West Marina - Ex MOD/ Stamco Site	50	1,500,000	40,500	30,000	70,500
Bexhill Rd - Lower Tier Site £6.9m flood, £28.8m development	50	33,460,080	903,422	0	903,422
Bexhill Rd - Lower Tier Site £6.9m flood, £28.8m development GRANT RECEIVABLE	50	6,989,341	188,712	0	188,712
Harrow Lane - £27m (140 units)	50	27,000,000	729,000		729,000
Mayfield E - £7.3m (38 Units)	50	7,300,000	197,100		197,100
Bexhill Road - Land rear of 419-447 - £2.9m (16 Units)	50	2,900,000	78,300		78,300
Sandrock - (£2.2m (10 units) to £15.6m (81units) construction & site acquisition costs)	50	15,600,000	421,200		421,200
Bohemia - Leisure Centre (based on Dunstable costs - awaiting figs for HBC)	40	30,000,000	810,000	750,000	1,560,000
Bohemia - Cultural Centre (external report awaited)	40	30,000,000	810,000	750,000	1,560,000
Dangerous Structures- Building in disrepair (£262,000 plus other costs?)- Paid in year - No asset	1	300,000		300,000	300,000
Queensway - Development site (Link Rd site)	40	1,000,000	27,000	25,000	52,000
Priory Meadow - Capital Works - Development	40	350,000	9,450	8,750	18,200
Harold Place Development Site (£100k to £1,000,000) - £1.1m option (add to the £100k option)	40	1,000,000	27,000	25,000	52,000
Commercial Property Purchase?	40	10,000,000	270,000	250,000	520,000
Total		185,375,421	4,997,036	2,756,900	7,753,936

It should be noted that the above list is not exhaustive and excludes a number of areas e.g. DestiSmart Tram, housing on Bohemia site, regeneration plans for town centre.

Report to: **Cabinet**

Date of Meeting: **2 September 2019**

Report Title: **Management Response to Overview and Scrutiny Review of Regeneration Funding**

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

Purpose of Report

To respond to the Overview and Scrutiny report.

Recommendation(s)

1. **Cabinet thanks the review team for their report.**
2. **Recommendation 1 is agreed, but that it is noted that actions that grow the wider Hastings economy will be critical to creating new opportunity for economic inclusion.**
3. **Recommendation 2 is agreed.**
4. **Recommendation 3 regrettably cannot be currently supported because there are no council or partnership resources to support area structures since the ending of neighbourhood renewal funding.**
5. **Recommendation 4 is agreed. A "project board" drawn from Cabinet members will have oversight of the programme to be adopted in the forthcoming budget.**
6. **Overview & Scrutiny members are invited to comment upon the Hastings and Rother Task Force review of regeneration work and structures when this work is presented.**

Reasons for Recommendations

The kind of action that will address long term symptoms and causes of poverty are lack of employment opportunities added to factors like education, health and skills. The council is actively engaged in trying to stimulate growth. The council can contribute to both growth and economic inclusion. Through partnership with the Clinical Commissioning Group (CCG) and others it supports health initiatives and its housing programmes focus upon dealing with both the causes and consequence of poverty.

Previous neighbourhood based work was part of a nationally funded programme aimed at the UKs most disadvantaged local authority areas. Hastings programme included funding for staff to support neighbourhood provision together with a programme of area based grants. The Local Strategic Partnership had oversight of this programme with 21 key targets aimed at "gap closing" on key performance figures. Additionally, Hollington had a Greater Hollington Neighbourhood Pathfinder operating in the previous decade. Since this funding ceased the council has faced year on year reduction of its budgets.

Additionally The Connecting Hastings & Rother Together (CHART), Community Led Local Development (CLLD) and Opportunity Area are significant programmes and the council should focus on how these might be built upon and extended into the future.

The current budget of the council does not easily permit new areas of unfunded work to be developed. It is likely there will be less staff and financial resources available in 2020/21 and moving forward.

Background

1. It is timely to review the impact of regeneration upon the borough. Since the setting up of the original "Task Force" led by government, South East England Development Agency (SEEDA) and local councils in 2001, there have been many big changes to the economy and the way that funds for economic growth and inclusion are delivered. The response will give a little detail of these changes and the impact they have had.

2. A number of key things are about to change things very quickly:

    - When the UK leaves the EU there will be no further new funds from EU programmes. Hastings has done well as in both leading programmes and as a partner in big programmes.
    - The funds from the UK government are intended to respond to this and also to replace the UK funds for economic growth. It's not clear how this will materialise.
    - Current government policy favours "business-led" Local Enterprise Partnerships (LEPs) as a way of growing the economy.
    - The climate change agenda will mean a dramatic reshaping of the economy. Climate change will present particular challenges for poorer communities and individuals.

    The area has been the focus of regeneration activity since 2001 when the Hastings & Bexhill Task Force was set up.

3. The council is currently working together with East Sussex County Council (ESCC) and Rother District Council (RDC) to review the impact of the programmes and to identify the priorities for the next period.

4. The financial position of this council is extremely difficult. Members will face tough choices around next year's budget. Any increase in activity not funded by new

external funding will need to be found by achieving savings elsewhere. In this kind of context, it is critical to be clear that sustainable benefits to residents are expected to accrue from any new activity and to be precise about what these might be.

Further statistical Input

5. In addition to the information provided to the review team there are a number of other useful indicators.

6. The economic activity rate (% of those in working age who are either employed or unemployed and seeking work) has slightly increased in the UK but dropped in East Sussex with the exception of Wealden.

Economic Activity Rate
(Percentage of working age population who are employed or unemployed and actively seeking work)

	2005	2010	2016	2017	2018
England	76.6	76.3	78.1	78.6	78.7
South East	80.4	79.4	81	81.4	80.8
East Sussex	79	78.4	77.8	78.3	76
Eastbourne	79.1	82.7	75.6	74.4	76
Hastings	75.3	76.7	70.1	71	70
Lewes	80.1	82.5	83.2	87.6	78.8
Rother	80.6	77.4	75.8	77.9	71.4
Wealden	79.5	74.4	81.9	79.9	80.9

Source: Annual Population Survey (April 2019)

7. A similar picture is evident for the employment rate.

Employment Rate

	2005	2010	2016	2017	2018
England	72.9	70.3	74.3	75.1	75.4
South East	77.4	74.6	77.6	78.8	78
East Sussex	75.3	73.1	74.2	75.7	73.7
Eastbourne	73.9	78.2	72.5	69.9	74.7
Hastings	70.9	67.4	62.8	68.9	67.9
Lewes	76.9	77.4	81.3	86.3	75.7
Rother	76.8	71.6	73.2	74.7	69.2
Wealden	77.3	71.3	78.5	77.6	78.4

Source: Annual Population Survey (April 2019)

8. Weekly earnings for both residence-based and workplace-based staff has increased but not kept at 'pace with the UK.' On this basis, Rother is more disadvantaged than Hastings.

Average weekly earnings (residence based) Full Time Workers

	2005	2010	2016	2017	2018	Increase

	2005	2010	2016	2017	2018	Increase
England	437	506	545	556	575	138
South East	469	548	582	596	614	145
Eastbourne	388	492	524	504	547	159
Hastings	354	407	446	468	491	137
Lewes	441	512	560	530	556	115
Rother	417	489	526	565	485	68
Wealden	441	575	575	617	617	176

Average weekly earnings (workplace-based) Full time Workers

	2005	2010	2016	2017	2018	Increase
England	436	504	544	556	575	139
South East	450	524	566	575	589	139
Eastbourne	404	495	509	505	557	153
Hastings	364	413	451	474	477	113
Lewes	426	459	559	583	599	173
Rother	332	400	432	438	427	75
Wealden	351	458	482	511	502	151

Source: ESIF Average (median) earnings, residence-based, 2002-2018 - districts (October 2018)

9. Personal incomes (which include a range of income) shows a similar picture. Older Rother residents drawing income from savings investments etc., probably changes the position between Rother and Hastings.

Personal incomes

(Median annual income)

	2011	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**Change**
England	19,700	20,500	21,200	22,100	22,600	23,400	23,900	+4200
South East	21,300	22,300	23,100	23,900	24,400	25,200	25,800	+4500
East Sussex	18,700	19,400	20,600	21,100	22,200	22,900	23,700	+5000
Eastbourne	18,100	18,200	19,600	20,500	20,700	21,100	22,200	+4100
Hastings	17,000	18,000	18,400	18,600	19,800	19,900	21,700	+4700
Lewes	18,900	19,200	21,300	22,100	22,800	24,400	24,500	+5600
Rother	17,900	19,500	19,700	20,800	21,800	22,700	23,100	+5200
Wealden	20,500	21,900	22,300	22,600	24,300	24,600	25,000	+4500

Jobs Density

(Number of jobs divided by the resident working age population)

	2000	**2005**	**2010**	**2015**	**2016**	**2017**	
England	0.80	0.81	0.77	0.84	0.85	0.87	
South East	0.84	0.84	0.80	0.86	0.88	0.87	
East Sussex	0.71	0.70	0.69	0.74	0.75	0.75	
Eastbourne	0.81	0.81	0.77	0.82	0.81	0.87	
Hastings	0.68	0.67	0.61	0.65	0.65	0.70	
Lewes	0.77	0.70	0.72	0.79	0.80	0.70	

Rother	0.64	0.69	0.67	0.74	0.74	0.71	
Wealden	0.65	0.65	0.67	0.72	0.73	0.74	

10. This evidence points to the need to continue to grow the whole local economy so it begins to perform at the regional/national level and look at specific measures to impact on the most deprived communities and individuals.

11. Impetus for this scrutiny review of Regeneration Funding stemmed from a shared view among scrutiny councillors that despite a good track record for bringing monies and resources into the borough and the changes to the physical landscape of the town the benefits of investment have not impacted sufficiently on poorer communities.

12. Demographics for our more deprived wards indicate there is little positive change in the life chances of those residents.

13. Scrutiny councillors, mindful of the financial challenges facing the council are keen that a future focus, not just in terms of our regeneration funding efforts but in all that the council does, works to meet the needs of the town's most deprived residents, narrowing the gap between the life chances of those between our more deprived and more affluent wards.

14. Funding for regeneration includes significant commitment to Hastings from regional and national bodies including the NHS, Optivo, Orbit, three Academy trusts, Brighton University and Network Rail, and of course from national government and East Sussex County Council.

15. Hastings Council, East Sussex County Council and Rother District Council are seeking to review the programme, but more significantly to consider the priorities for the next period.

16. Hastings is working with 11 coastal local authorities to create a prospectus for the coastal region of SELEP (Essex, Kent and East Sussex). Substantial parts of the coast continue to underperform and this is particularly so for towns like Margate, Ramsgate, Folkestone, Dover, Clacton and Hastings. This work is intended to influence the Local Industrial Strategy for SELEP. Of particular significance will be the priority given to productivity which may tend to encourage investment towards areas where performance and skills are already high. The issue is how to increase productivity on the coast.

Overview and Scrutiny Recommendations

17. The council has long been committed to a process of gap narrowing between the town and the UK but also to raise the position of deprived communities. Specific funding under the Neighbourhood Renewal programme was spent chiefly in the 5 most deprived wards and there were support staff, a forum and a chief officer champion for each. The local strategic partnership (LSP) was set up to ensure the partnership of all agencies and the community and there were 21 key targets to improve performance over health, education, housing, economy and crime.

Government puts great emphasis on LSPs bringing a partnership approach to regeneration and inclusion.

18. Since then there have been enormous shifts that have weakened the powers of both local partnerships and councils to lead the regeneration of their communities. Amongst these are:

    - The Academies programme and the weakening of the role of the local education authority.
    - Ending of government funding like Neighbourhood Renewal delegated to local authorities.
    - The erosion of place based health leadership which is currently being reflected in the consultation to merge all the Clinical Commissioning Groups (CCGS) in East Sussex.
    - The emergence of SELEP as a "Super LEP", but more significant is the focus upon productivity at the expense of distribution of benefits.
    - A shift away housing delivery based upon locally defined housing needs and affordability levels towards nationally based funding programmes targeting housing numbers and home ownership.
    - The push towards larger FE collect structures focused regionally rather than locally.
    - Changes to police structures ending a Hastings command, with partnership work increasingly moving to County or pan County level for services like probation and drug/drink support services. The reduction of neighbourhood policing importance has also meant that responses to local issues become more difficult.

19. Reductions in public expenditure have in part driven these changes and in part they have suffered from a lack of significant investment.

Recommendation 1

That cabinet agree that a key driver for all that the council does going forward is meeting the needs of the town's most deprived residents, narrowing the gap between the life chances of those residents in our more deprived and more affluent wards.

20. Although very significant issues remain in Central St Leonards and Gensing a measure of progress has been made in recent years. Much of this is detailed in the report to Cabinet about the renewal areas in St Leonards. Conditions for many existing residents have seen improvement and an increase in the numbers of relatively affluent people living moving into these areas has been reflected in a growing arts, restaurant and social scene. The nature, age and condition of the housing stock in these areas is such that more needs to be done to support the development of balanced and sustainable populations in these neighbourhoods. Nevertheless, survey data supports the view that things are continuing to move in the right direction.

21. The social housing estates continue to suffer from issues of intergenerational exclusion. The issues facing these neighbourhoods are complex deep seated and are not susceptible to "quick fixes". The council does not control the health, education and skills programmes which are critical levers and will need to continue

to work alongside other agencies to encourage sustained investment. Our work in supporting the Opportunity Area and in obtaining and managing CHART is evidence of this commitment. The issues in Ore Valley and Hollington and elsewhere are ones shared with similar communities elsewhere. Much regeneration in these places has improved the housing stock and amenities, but not the conditions of life for residents. We need to do more work in identifying where and how success has been achieved. Current housing policies mean that the levels of deprivation may increase rather than encourage healthy working class communities.

22. It is necessary to continue to grow the economy as “redistributive” action depends on growth.

Recommendation 2

That the council’s regeneration area of the website be updated to celebrate successes, clearly setting out what has been achieved and include aspirations and plans for the future.

23. It is agreed that the council’s website should be updated to acknowledge the partnership successes, particularly those by the council’s staff and members.

Recommendation 3

That the council consider reinstating a renewed area focus and potentially ‘area champions’ so that named senior officers (perhaps with cabinet member champions) within the council have lead responsibility for issues in a particular geographical patch.

24. A number of senior managers used to serve as area champions and found it very worthwhile. However, to be meaningful this requires neighbourhood partnership structures involving police, health, housing associations and business as appropriate and these structures need to be co-ordinated and supported. Without the resources to deliver concrete responses and improvements such as a system would fall into disrepute. Additionally the council has invested a great deal in systems to enable residents and members to report faults or order services. The future is likely to accentuate this and the setting up of alternative channels could be a distraction may impose additional costs.

25. Previous resident leaderships have in some cases ended and in others grow less active. New models of community leadership may focus more on issues like the environment or climate. Changes in housing ownership may have also held down some kinds of common interest for some. It may be worth considering how the council and/or partners could seek to support and develop new leaderships without installing paid staff to fulfil this role by surrogate.

26. The resources no longer exist to support local structures or to provide meaningful responses to demands that might be identified. Members may wish to consider this as part of the budget exercise for 2010/21.

Recommendation 4

That a Regeneration cabinet committee is established to ensure delivery of a timetabled and prioritised programme of council regeneration activity that:

a. includes resource implications and governance arrangements,

b. identifies benefits to residents and or evidence of need - reflecting the timetable and priority order

27. A project board drawn from Cabinet members will have oversight of the delivery of regeneration and development projects. The same staff and resources will deliver housing, economic and climate control projects and it is important these are planned and overseen together.

Implications

28. No implications arise directly from this report which is a response to an O & S review. No expenditure or action is required. The O & S report identifies a number of implications from its review.

29. It is worth noting the potential impact of climate change on the council's budgets and those of partners. Taken with potentially much higher fuel and travel costs they may pose an additional burden on poorer people. Conversely there may be a range of opportunities for employment and energy generation may prove possible.

Timetable of Next Steps

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

Action	Key milestone	Due date (provisional)	Responsible
Consider the Hastings & Rother Task Force Review of Regeneration	Presentation at O & S Committee?	Autumn 2020	Simon Hubbard Victoria Conheady

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Wards Affected

ALL, but particularly Hollington, Central St Leonards, Castle, Maze Hill, Baird and Tressell.

Implications

Relevant project tools applied? N/A

Have you checked this report for plain English and readability? Yes/No

Climate change implications considered? Yes/No

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

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

Additional Information

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

Officer to Contact

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Report to: **Cabinet**

Date of Meeting: **2 September 2019**

Report Title: **Central St Leonards Renewal Area – Exit Review**

Report By: **Andrew Palmer, Assistant Director Housing and Built Environment**

Purpose of Report

To present, for information, the results of the exit review for the St Leonards Renewal Area

Recommendation(s)

1. **That the contents of the report are noted**

Reasons for Recommendations

Following the end of the 15 year St Leonards Renewal Area an exit review has been undertaken. The results of this review are presented as an appendix to the report.

Introduction

1. Following a Neighbourhood Renewal Assessment (NRA) in 2003 Cabinet declared the Central St Leonards Renewal Area on the 18 December 2003. The original objectives for the Renewal Area (of which there were 20) focussed on improving the housing conditions and environmental quality in the area as well as seeking to create long term employment for local residents.

2. A review of the area in 2013 identified that significant progress had been made over the 10 years of its operation in regenerating the area, however more work was required. At that time Cabinet decided to extend the area for a further five years to November 2018.

3. In the past when funding for housing renewal was more readily available, the additional powers made available by the Local Government and Housing Act 1989 for use in a renewal area were of benefit to the Council. In particular these were regarding the compulsory purchase of long term empty properties. During the past five years however funding has significantly decreased at the same time as other legislative powers to deal with rogue landlords have increased meaning the advantages to having a declared renewal area are less.

4. There is no requirement to formally terminate a renewal area; as such it ended at the end of the five year extension (4 November 2018). Also, whilst there is no requirement to finally report on the delivery of a renewal area, it is considered best practice to undertake an exit review in order to highlight the success of the area.

5. An exit review has therefore been undertaken for the Central St Leonards Renewal Area by RJFP Resourcing (who also undertook the review in 2013). A copy of the review is included at appendix 1.

Renewal area successes

6. The renewal area provided a focus for the Councils activities in an area which was significantly deprived and even though the area is still one of the most deprived in the borough the renewal area has seen some significant success in a number of areas;

    - £ 32 million investment from public and private sources
    - 459 formal enforcement notices to improve housing standards contributing to improvements in 1,326 dwellings
    - 9 compulsory purchase orders made in respect of long term empty properties
    - 381 local residents involved in skills and learning projects
    - Downward trend in all reported crime in the area

Ongoing activity

7. Whilst the tools available for housing renewal in a formally declared renewal area are not now available to the council there is still significant activity in St Leonards in relation to improving the housing conditions of tenants. This includes;

    - The Selective Licensing Scheme requires all privately rented accommodation in 7 wards (including Central St Leonards) to be licenced
    - The Additional HMO Licensing Scheme requires all HMO's in 4 wards (including St Leonards) to be licenced
    - Enforcement work in housing renewal continues and full use of the new powers introduced by the Housing and Planning Act is being made. To date 21 financial penalties have been issued for various non-compliance
    - Coastal Space 2 has recently delivered 26 new units of affordable rent accommodation in the refurbished Winchester House school building
    - Coastal Space 3 is on site at Leolyn House to deliver additional affordable rent accommodation in partnership with Optivo
    - The East Sussex Public Health commissioned Warm Homes Check Service is being administered from Citizens Advice 1066 out of St Leonards for the whole of Sussex.
    - The EU Interreg SHINE project continues to improve the thermal comfort of the most fuel poor residents in St Leonards.

Wards Affected

Central St Leonards

Implications

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

Crime and Fear of Crime (Section 17)
Environmental Issues
Local People's Views
Anti-Poverty

Additional Information

Appendix 1 – Central St Leonards Renewal Area Exit Review

Officer to Contact

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Central St Leonards Renewal Area - Exit Review

Report for Hastings Borough Council

October 2018

Version Control

Version	Author(s)	Comment	Date
V1	Richard Peters		12/09/18
V2	Matthew China review	Tracked changes	08/10/18
V3	Richard Peters	Comments from Matthew China, Pranesh Datta and Marcus Berrisford	10/10/18
V4	Richard Peters	Photos added	15/10/18
V5	Richard Peters	Comments from Matthew China	23/10/18

Richard Peters - RJFP Resourcing Limited

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1. Introduction

1.1 In December 2003 the Council (HBC) declared the Central St Leonards Renewal Area for a 10-year period. Following a review of progress in 2013, HBC Cabinet on 4 November 2013 decided to extend the Renewal Area for a further five years, i.e. until 3 November 2018, in order to help continue the regeneration of Central St Leonards. HBC has commissioned this study to review achievements since 2013 prior to expiry of the Renewal Area status.

1.2 This report builds on the review carried out in 2013[1] and needs to be read alongside the 2013 report. It sets out the progress achieved on priority activities in the area since then, alongside data from the Hastings Stock Condition Survey 2016 and house prices in the area. It also considers the impact of significant changes in Government policy and the reducing support for housing renewal over the past 10 years, including the removal of specific financial support for Renewal Areas and the cancellation of Secretary of State guidance.

1.3 The report concludes that much has been achieved during the 15 year life of the Renewal Area by a wide range of partners, local businesses and the local community. Significant improvements have been achieved in respect of poor housing conditions. The local environment and the town centre have improved and the level of anti-social behaviour has reduced dramatically. Inevitably there is still more to do but key partners continue to prioritise the area in a variety of ways and given current and proposed interventions this can be achieved outside the framework of a renewal area.

[1] Central St Leonards Renewal Area – Proposed Extension of Time Frame – October 2013

2. Central St Leonards Renewal Area

Background

2.1 The Central St Leonards Renewal Area was declared on 18th December 2003 for a period of ten years. This was part of an overall strategic approach towards tackling the Borough's high concentration of unfit homes in the central parts of south St Leonards. It also provided a framework for addressing wider regeneration activity in Central St Leonards ward, which at the time was the most deprived ward in the South-East. The Renewal Area covers the whole of Central St Leonards ward and two sections of Gensing ward to the north of Warrior Square Station. In 2003 the Renewal Area included 3,810 homes within 921 residential buildings. A map of the area is included below.

2.2 A Neighbourhood Renewal Assessment (NRA) was carried out in 2003 as a precursor to Renewal Area declaration and a summary of the key findings is attached at Appendix 1. Significantly, the NRA highlighted serious concerns with housing conditions in the area:

- 26% of homes (985) were 'unfit for human habitation'
- 22% of homes (833) although not 'unfit' were in serious disrepair
- 42% of homes (1,607) failed the 'decent homes standard'
- 50% of HMOs did not meet fire safety standards
- 83% of homes (3,210) were in multi-occupied buildings (HMOs)
- 45% of households lived in the private rented sector
- 2% of dwellings were in general needs social housing compared to 16% across the Borough

Central St Leonards Renewal Area

2.3 Long-term empty homes were also a problem for the area. 6.8% (260) of all private homes in Central St Leonards ward were empty for six months or more[2] compared with 2.5% for the Borough as a whole. This was the highest proportion for all wards, with 30% of all the Borough's long-term empty homes being attributable to Central St Leonards. In addition to empty properties, there were also a number of empty and derelict 'eyesore' sites located around the area.

Renewal Area Strategy & Masterplan

2.4 HBC appointed a Renewal Area project manager to develop and lead the programme alongside a team of housing renewal staff. A renewal strategy was developed in 2004 with the following vision:

> *"The vision for Central St Leonards builds on its assets and addresses its problems. It sees a neighbourhood with safer streets... a strong community... with better housing... an environment to be proud of... and with pathways to work for local residents."*

2.5 Delivery of the strategy was supported by 19 strategic priorities across five thematic areas. The five thematic areas were:

1. Safer Streets
2. Stronger Communities
3. Better Housing
4. An environment to be proud of
5. Pathways to work

Details of the 19 strategic priorities are set out at Appendix 2. Five key performance indicators were adopted in 2004 to measure progress towards delivery of the strategy and these are set out at Appendix 3.

2.6 A masterplan was developed in 2005 to provide a framework for addressing the regeneration of Central St Leonards to help support delivery of the Renewal Strategy 2004 and to support HBC's bid for Single Regeneration Budget funding of £1.65m. The principle objective of the Masterplan was to change people's perception of Central St Leonards to achieve long-term economic growth, inward investment and a better quality of life for the local community.

2.7 Three key programmes were identified during the masterplanning exercise:

1. Sustainable Community
2. Town Centre Upgrade
3. Greening of St Leonards

Further details of the key projects identified within the regeneration framework to support these programmes and progress towards them can be found in the October 2013 report[3] recommending extension of the Renewal Area.

[2] Hastings & St Leonards Empty Homes Strategy 2001
[3] Central St Leonards Renewal Area – Proposed Extension of Time Frame – October 2013

Summary of Achievements - 2013

2.8 The original Central St Leonards Renewal Area programme was unashamedly ambitious reflecting the scale of the challenges presented, as highlighted in Appendix 1. By 2013 when HBC took the decision to extend the Renewal Area for a further 5 years the position on progress can be summarised as follows:

- Nearly 600 homes made 'fit' or brought up to the 'decent homes standard'
- Just over 300 homes improved that were not 'unfit' but in serious disrepair
- 53 homes repaired and improved by housing associations
- 104 whole HMOs improved
- 111 buildings improved by the 'Grotbusters' team
- Long-term empty homes reduced by 30% from 260 to 183
- 64% of people are very/fairly satisfied with their neighbourhood
- The crime rate had reduced from 289 to 225 crimes per 1,000 population and if ASB is excluded it is down to 125 crimes per 1,000 population
- 12.3% of people were unemployed

2.9 In total the area had benefited from capital investment in excess of £26m, plus an unquantifiable amount of officer time from a range of partner agencies, businesses and community volunteers.

2.10 Progress against the original Renewal Area delivery plan at 31 March 2013 is set out at Appendix 4.

3. Renewal Area Programme – Post 2013

3.1 Improving unsatisfactory housing conditions is the primary purpose of declaring a renewal area. HBC decided in November 2013 to extend the life of the Renewal Area for a further five years in order to continue to deal with poor housing conditions, unsatisfactory management of houses in multiple occupation (HMOs) and private rented homes; and to continue to bring empty homes back into residential use. Despite good progress in securing improvements an estimated 800 homes still fell below current housing standards and the private rented sector had grown dramatically from 45% (1,401 households) to 58% (2,533 households) of all households. This was against a backdrop of reducing public sector resources and no specific capital funding for private sector housing renewal. Consequently, it was acknowledged that alternative approaches were needed to continue to address unsatisfactory housing conditions and poor management.

3.2 The programme envisaged was based on a number of strands of activity:

- Licensing HMOs and private rented homes
- Enforcement of housing standards in private rented homes
- Tackling empty homes including use of compulsory purchase
- Coastal Space programme to renovate existing buildings for affordable rent and support other social and economic interventions
- Neighbourhood policing

Progress on each of these strands is set out below.

Licensing HMOs and private rented homes

Additional Licensing of HMOs

3.3 HMOs in Central St Leonards have been subject to registration or licensing in various ways since 2001. Further details are set out at Table 1 below. In September 2011 the Council introduced an Additional Licensing scheme for HMOs covering the four town centre wards of Braybrooke, Castle, Central St Leonards and Gensing. This followed research that showed that around 85% of the Borough's HMOs are located in these wards and the requirement for introducing a scheme were met in that a significant proportion are being managed sufficiently ineffectively. The Additional Licensing scheme ran for 5 years until September 2016 and during this period 218 HMOs were licensed within the Renewal Area leading to improvement at 81 whole HMOs.

3.4 Table 1(a) below provides the overall picture for HMOs registered or licensed in Central St Leonards and the Seven Streets sub-area since 2001 and highlights that since Renewal Area declaration in 2003 HBC has licensed 349 HMOs and of these 146 are in the Seven Streets priority area.

Table 1: HMO Registration & Licensing - 2003-2018

Central St Leonards Renewal Area & 'Seven Streets' Sub-Area

a) HMOs Registered or Licensed

Scheme	Seven Streets	Central St Leonards Renewal Area
HMOs Registered under 2001 Scheme*	3	10
HMOs Registered under 2004 'Seven Streets' Scheme**	25	25
HMOs Licensed under 2011 Additional Licensing @ 31 March 2013	23	96
HMOs Licensed under 2011 Additional Licensing - 1 April 2013 – September 2016	95	218
Total HMOs Registered or Licensed	**146**	**349**

b) HMOs Improved by Registration or Licensing

Scheme	Seven Streets	Central St Leonards Renewal Area
HMOs Registered under 2001 Scheme*	3	10
HMOs Registered under 2004 'Seven Streets' Scheme	11	11
HMOs Licensed under 2011 Additional Licensing @ 31 March 2013	2	3
HMOs Licensed under 2011 Additional Licensing - 1 April 2013 – September 2016	20	78
Total HMOs Improved	**36**	**102**

* Bedsit, shared house & hostel type (s.254) HMOs

** Covers all categories of HMOs

Source: HBC Housing & Built Environment

Table 1(b) above shows improvements to HMOs achieved through the various schemes. This activity has resulted in the improvement of 102 whole HMOs, 36 of which were in the Seven Streets area. It is important to note that the improvements achieved in the 92 HMOs

through Additional Licensing and the earlier 'Seven Streets' registration scheme will have related to the external repair, the common parts and communal fire safety affecting several flats in each building but data is not available to quantify the total number of dwellings that have benefited.

3.5 An exit review of the HMO Additional Licensing scheme was completed in September 2016 and concluded that licensing had been partially successful in achieving the outcomes originally set out for the scheme. The HSCS 2016 stock condition survey confirmed a general improvement to housing conditions in the four wards covered by the scheme but highlighted that poor conditions still prevail in some areas and a number of HMO's were still being badly managed and lack suitable and sufficient fire safety measures. Consequently, following a consultation exercise in 2017, HBC approved a further Additional Licensing scheme covering HMOs in Braybrooke, Castle, Central St Leonards and Gensing wards. The new scheme commenced on 4 May 2018 for a period of 5 years (until 3 May 2023).

Selective Licensing

3.6 In Hastings 29% of households (around 12,000 households) live in private rented homes, almost twice the national average. The sector has an important role to play in meeting housing need and improving management and maintenance standards in the private rented sector, therefore, is a high priority for HBC. In October 2015 HBC implemented a Selective Licensing scheme across seven wards in the town, containing approximately 9,000 privately rented homes, including Central St Leonards, as a means of addressing anti-social behaviour and delivering improvements to individual privately rented flats and houses. The scheme will last for 5 years until October 2020. To date the scheme has received licence applications in respect of 2,157 homes in Central St Leonards and 2,033 licences have been issued representing 29% of all homes licensed in the seven wards (7,097), as indicated in Table 2 below. In addition 1,220 licences have been issued in Gensing ward.

Table 2: Selective Licensing in Private Rented Homes - 2015-2018		
Central St Leonards Renewal Area		
	October 2015 – August 2018	**% of all homes licensed in 7 wards**
Private rented homes licensed	2,033	29%

Source: HBC Housing & Built Environment

Enforcement of Housing Standards

3.7 In 2013 it was estimated that approximately 800 homes still fell below current housing standards in the Renewal Area. National and local survey data suggests that a disproportionate (higher) number of these

are likely to be in the private rented sector. The 2013 report acknowledged that moving forward there would be a need for greater emphasis on enforcement action and licensing due to the growth in private renting in the area and the removal of Government financial assistance. It was also acknowledged that taking enforcement action and licensing are much more labour intensive and take considerably longer to deliver outputs. Table 3 below summarises enforcement action taken over the life of the Renewal Area and shows a total of 459 notices have been served. Since 2013 54 notices have been served to deal with Cat 1 and Cat 2 failures under the hazard rating system.

Table 3: Enforcement Action - 2003-2018

Central St Leonards Renewal Area

Type of Action	03/04-05/06	06/07-12/13	13/14-17/18	Totals
Housing Act 1985 Section 189 - Unfit Dwelling*	14	-	-	14
Housing Act 1985 Section 190 - Disrepair Not Unfit*	10	-	-	10
Housing Act 1985 Section 358 - HMO Overcrowding*	5	-	-	5
Housing Act 1985 Section 352 - HMO Fitness for occupants*	6	-	-	6
Housing Act 1985 Section 369/372 - HMO Management*	7	-	-	7
Housing Act 1985 - Minor notices - Requests for Info, etc.*	122	-	-	122
Housing Act 2004 Section 11 - Category 1 Improvement	-	11	28	39
Housing Act 2004 Section 12 - Category 2 Improvement	-	4	7	11
Housing Act 2004 Section 11 & 12 - Cat 1 & 2 Improvement	-	12	19	31
Housing Act 2004 Section 41 - Emergency Remedial Action	-	4	0	4
Housing Act 2004 Section 43 - Emergency Prohibition Cat 1	-	3	1	4
Housing Act 2004 Section 20 - Building Closure Cat 1	-	1	4	5
Housing Act 1985 & 2004 - Informal Notifications	20	153	3	176
Building Act 1984 Section 59 - Drainage	2	6	0	8
Environmental Protection Act 1990 Section 80 - Nuisance	4	8	5	17
Total Notices Served	**190**	**202**	**67**	**459**

* Housing Act 1985 powers replaced by Housing Act 2004 in April 2006

Source: HBC Housing & Built Environment

Empty Homes and Compulsory Purchase

3.8 To support the Hastings & St Leonards Empty Homes Strategy, HBC continued to resource a dedicated Empty Homes Officer throughout the lifetime of the renewal area who has been able to co-ordinate activity targeted at reducing the number of long term[4] empty homes. When progress was reviewed in 2013 210 empty homes have been brought back into use since declaration. Data on empty homes activity for Central St Leonards ward over the past 5 years is not currently available but across the town it has resulted in 525 long term empties being brought back into housing use (Table 4 below).

Table 4: Empty Homes Brought Back into Use - 2013-2018	
Hastings and St Leonards	
Year	**Number**
2013/14	115
2014/15	97
2015/16	76
2016/17	125
2017/18	112
Total Empty Homes Brought Back into Use	**525**

Source: HBC Housing & Built Environment

3.9 The number of empty homes will be subject to fluctuation as circumstances change. Table 5 below shows the position regarding the change in the number of long-term empty homes by ward for the period April 2004 to July 2017.

3.10 Between 2013 and 2017 the number of long term empties increased across the town by 27% and by 60% in Central St Leonards. Central St Leonards remains the ward with the highest number of empty homes. In part this may well be a function of the ward having such a large proportion of small privately rented flats. Concerted action will need to continue into the future to sustain the current position and achieve further improvements.

[4] Long term means empty for at least 6 months or more

Table 5: Number of Long Term Empty Homes by Ward April 2004 - July 2017 (Empty for 6 months or more)				
	April 2004	November 2013	July 2017	% Change since 2013
Central St Leonards	**260**	**150**	**240**	**60%**
Castle	**164**	135	**150**	11%
Gensing	**136**	67	**110**	64%
Maze Hill	**45**	36	**56**	56%
Old Hastings	**23**	61	**53**	-13%
Braybrooke	**41**	39	**53**	36%
St Helens	**3**	19	**28**	47%
Ore	**14**	14	**25**	79%
Silverhill	**22**	36	**23**	-36%
Wishing Tree	**8**	7	**21**	200%
Conquest	**8**	3	**20**	567%
West St Leonards	**17**	16	**15**	6%
Tressell	**18**	19	**14**	-26%
Hollington	**10**	7	**13**	86%
Baird	**15**	37	**12**	-68%
Ashdown	**73**	21	**12**	-43%
	857	**667**	**845**	**27%**

Source: HBC Housing & Built Environment

3.11 As part of the Empty Homes Strategy, HBC has adopted a robust approach to dealing with empty homes across the town, including the use of compulsory purchase (CPO) powers where, despite the Empty Homes Officer's advice and support, owners are unwilling or unable to bring properties back into use. Since 2010 HBC has made CPO resolutions in respect of 101 long term empty properties across the town. In most cases the CPO is enough to galvanise owners into action either by selling the property or by doing what is needed to bring it back into use. Only in a handful of cases has it been necessary to seek confirmation of the CPO and take possession prior to selling on the property.

3.12 In the Renewal Area 9 properties have been subject to CPOs and in each case owners have resolved the position either by selling or by taking action to bring the property back into use without the need to pursue the CPO further. In 2013 it was envisaged that HBC might wish to use Renewal Area CPO powers[5] in Central St Leonards. However, in practice it has used CPO powers under section 226 of the Town and Country Planning Act 1990 as a common approach to dealing with empty properties across the town.

Coastal Space

3.13 Following a pilot in 2011/12 the Coastal Space project led by AmicusHorizon (now Optivo) was established to deliver high quality affordable homes from existing empty buildings in poor condition and to make a modest contribution to rebalancing tenure in the area by

[5] Section 93 Local Government & Housing Act 1989

increasing the supply of social housing for rent. Support for a dedicated enforcement officer over two years was jointly funded by HBC and Optivo to help bring forward properties where owners are unwilling or unable to achieve required housing standards. The project also brought with it the potential to deliver a number of interventions to help maintain the economic and social investment momentum in the area.

3.14 Overall the project secured a total investment programme of £6.282m for Central St Leonards, with funding contributions from HBC, Optivo and the Homes and Communities Agency (now Homes England). By March 2015 phase 1 of the project had delivered 38 homes. Phase 2 is currently underway and is set to deliver a further 26 homes, including 6 in a new build annexe by November 2018. In 2016 it was decided to extend the remit of the project to address problematic buildings and sites blighting neighbourhoods outside the immediate central St Leonards area. This means that some of the outputs in Phase 2 are outside the Renewal Area. Following a successful bid to the SELEP on behalf of three coastal local authorities HBC has obtained funding of roughly £600,000 through the Local Growth Fund to support Phase 3 acquisition and redevelopment of a further property in the Renewal Area, which on completion of works will provide an additional 16 affordable homes at Leolyn House, Pevensey Road. By the end of Phase 3 the programme will have delivered a total of 80 new affordable homes.

3.15 One of the key strengths of Coastal Space is the delivery of associated and complementary regeneration activity. The dedicated and proactive approach to enforcement with a two-year post joint funded by HBC and Optivo has enabled an additional 271 property inspections. This has helped bring forward properties for the scheme, where owners are unwilling or unable to achieve required housing standards. It has also provided the opportunity to make links with other initiatives such as the empty homes strategy, 'Grotbusters' and licensing. Enforcement activity has led to improvements at 108 private homes.

3.16 In addition Coastal Space so far has enabled 381 local residents to get involved with skills and learning projects. It has also maintained partnerships with local community organisations, the Town Team and the neighbourhood policing team. Optivo has provided part-time programme management and community development support,

including support for the project board of partners overseeing Coastal Space. Since 2013 this has become the main vehicle for overseeing and co-ordinating activity within the Renewal Area.

Community Safety & Policing

3.17 When the Renewal Area was declared in 2003, although crime levels and fear of crime were starting to come down across the Borough they remained a serious concern in Central St Leonards. At December 2003 there were a total of 2,682 crimes recorded over a 12 month period. In response to this, the Safer Hastings Partnership has prioritised tackling crime in Central St Leonards with some considerable success. This has included designation as a Policing Priority Area (PPA) to specifically target the reduction of crime and disorder and continuing the neighbourhood policing approach with enhanced uniformed presence in the area, together with target-hardening of business premises and other partnership funded community safety initiatives. Table 6 below shows the significant progress achieved in reducing crime over the past 17 years from 415 crimes per 1,000 population in 2001/2 to 210 in 2017/18.

Table 6: Crime Rates - Central St Leonards Ward - 2001-2018

Crime Rate - Including Anti-Social Behaviour			Crime Rate - Excluding Anti-Social Behaviour	
Year	**Crimes per 1,000 population**		**Year**	**Crimes per 1,000 population**
2001/02	415		**2001/02**	415
2003/04	289		**2003/04**	289
2007/08	230		**2007/08**	195
2008/09*	334		**2008/09**	169
2009/10	341		**2009/10**	177
2010/11	272		**2010/11**	128
2011/12	279		**2011/12**	148
2012/13	225		**2012/13**	125
2014/15	233		**2014/15**	133
2015/16	224		**2015/16**	134
2016/17	235		**2016/17**	153
2017/18	210		**2017/18**	150

* Anti-Social Behaviour added to recorded crime in January 2008

Source: Sussex Police

3.18 The level of recorded crime over the period 2007/08 to 2017/18 is set out at Table 7 below. The data comes with a health warning in that detailed ASB incident recording was only introduced in the last quarter of 2007/08[6] and changes were made to the systems and codes used for 'Disorderly Behaviour' (ASB) incident data between 2010 and 2011. There have also been further revisions to data collection since, which means it is only safe to use the data to describe trends rather than actual performance.

[6] Data for 2007/08 including ASB, therefore, is lower than it might be as it only includes incidents of ASB in the last quarter and the apparent increase in 2008/09 is attributable to a full year's recording of ASB data.

Table 7: Crime - Central St Leonards Ward - 2007-2018				
All Crime – broken down by Anti-Social Behaviour and Other Crime				
Year (April-March)	**All Crime**		**Anti-Social Behaviour**	**Other Crime**
2007/08	1,426		219	1,207
2008/09*	2,150		1,165	1,085
2009/10	2,276		1,094	1,182
2010/11	1,877		992	885
2011/12	1,994		938	1,056
2012/13	1,603		713	890
2014/15	1,644		709	935
2015/16	1,574		632	942
2016/17	1,648		573	1,075
2017/18	1,474		420	1,054

* Anti-Social Behaviour added to recorded crime in January 2008

Source: Sussex Police

3.19 However, the data clearly shows a downward trend for all crime in the area over the life of the Renewal Area. In recent years the concerted effort to address youth anti-social behaviour and provide support to the street community through a partnership approach is delivering results. The past 5 years have seen particular success in continuing the reduction in anti-social behaviour but the level of all other crime has remained at around 1,000 per annum. When compared with the level of 2,682 crimes in 2003 the total crime figure of 1,474 in 2017/18, however, is a significant reduction. Nonetheless, Central St Leonards ward still has the second highest number of crimes compared with other wards, Castle ward being the highest and having almost 50% more anti-social behaviour. Both are town centre wards with higher densities of retail and entertainment outlets, which goes some way to explaining this. Therefore, it will be important to continue to prioritise crime prevention in the Central St Leonards area in order to sustain the progress achieved during the past fifteen years.

3.20 Since 2013 the neighbourhood policing approach has continued in Central St Leonards with generally positive results as indicated in the tables above. Resource pressures have resulted in fewer PCSOs (Police Community Safety Officers) and neighbourhood police officers across Sussex. However, Central St Leonards remains one of the Sussex Police priority areas and this included the retention of a small local neighbourhood team at the Silchester Road Hub in St Leonards town centre until mid 2017. The local team has since been reassigned to wider area based policing. Sussex Police has reviewed the approach to neighbourhood policing and has developed a more proactive approach to deal with local issues that will address the threat, harm and risk to victims and offenders. The focus now is on preventing crime and anti-social behaviour. This is delivered across the town through a pooled team of ‘prevention officers’ (police officers, PCSOs and specialist officers for hate crime, ASB, licensing and young people) organised in three shifts, each led by a police sergeant. The aim is to respond to and address local threats, harms and risks when reported by residents, and visitors.

3.21 The new 'Prevention Team' approach relies more heavily on the 101 non-emergency number and emails sent to them by local residents and businesses as well as from Crimestoppers 0800 555 111, as they do not patrol 'local patches' as they once did. This provides the flexibility to address issues in priority areas and at the same time respond to issues raised by the local community.

3.22 HBC's small team of wardens have recently taken over some of the visible neighbourhood 'policing' tasks associated with the enforcement of the Public Space Protection Order, implemented in June 2017, designed to address town centre problems of anti-social behaviour, dog fouling, etc.

3.23 Reassurance and engagement with local residents and businesses on community safety issues remains an important priority for the police and partners working in the area. Community safety meetings, street meetings and occasional public meetings are held when requested or the need arises.

Other Activity

New Homes through Planning Approvals

3.24 At the end of 2012/13 planning approvals had resulted in an additional 283 new homes being added to the housing stock in Central St Leonards ward (plus a further 189 new homes in the whole of Gensing ward). Since 2013 the housing stock in Central St Leonards has increased by a further 77 new homes resulting from planning approvals (plus a further 52 in Gensing ward). In total the housing stock in Central St Leonards has increased by 360 additional homes during the life of the Renewal Area. Further details are available at Appendix 6.

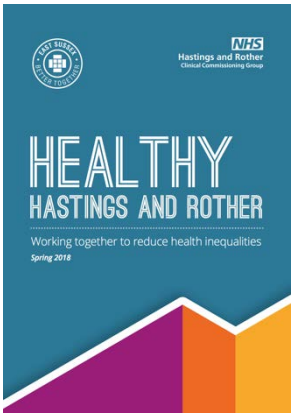
'Grotbusters'

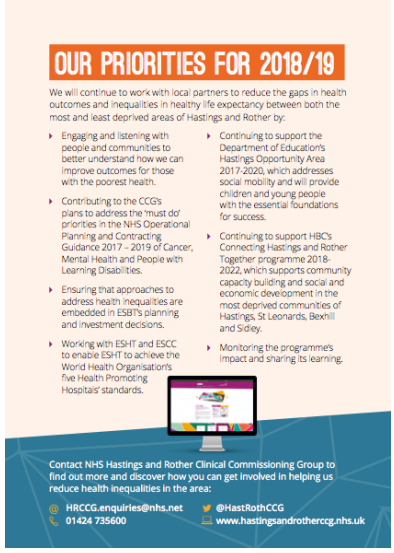
3.25 HBC's 'Grotbusters' team has continued to play an important role in helping deliver Renewal Area objectives by requiring owners to deal with eyesore properties and to improve poorly maintained frontages. A co-ordinated approach with other HBC disciplines has in many cases resulted not only in improvements to the exterior of properties but also interiors as well, through linking up

with Coastal Space, the empty homes officer and other enforcement action. In 2013 Grotbusters had helped secure improvements to 111 properties in Central St Leonards as a result of warnings and formal action. Since then a further 221 properties have been improved in Central St Leonards. In total the Grotbusters team has improved 332 premises during the life of the Renewal Area.

Healthy Hastings & Rother Programme

3.26 Since 2015 the NHS Hastings & Rother Clinical Commissioning Group (CCG) has allocated substantial resources from its Healthy Hastings & Rother Programme, for HBC, East Sussex County Council, and other partners or providers to invest in projects, which will address health inequalities. HBC is leading a programme of nine projects with a value of approximately £2.75m between 2015-2020 targeted at reducing health inequality in the most disadvantaged wards in Hastings and Rother, including Central St Leonards and Gensing. The projects address a wide range of issues including, getting overweight people more active; developing health & wellbeing hubs to support the infrastructure and capacity of existing community organisations to help deliver health and wellbeing services in the most deprived parts of the town; earlier identification, support and referral for people affected by domestic violence and abuse; community adult learning for people with poor physical or mental health; improving housing and health outcomes for the street community/homeless people; and reducing fuel poverty in private homes and supporting the enforcement of housing standards.





Projects directly benefiting the Renewal Area

3.27 Generally, the projects are benefiting a number of disadvantaged wards across Hastings, St Leonards and Bexhill and in doing so will be supporting the community in the Renewal Area. There are some elements of projects specifically targeted at the area, for example:

- the Fellowship of St Nicholas has received an award of CCG funds to support a health and wellbeing hub in Central St Leonards since late Autumn 2017;
- a multi-agency hub is based in Gensing to provide support for the street community and people rough sleeping;
- a 'healthy homes – places' project is supporting the enforcement of housing standards in Central St Leonards whilst at the same time addressing fuel poverty across several wards. More detail is

provided on the latter project below as it is directly contributing to improvements in housing conditions.

Healthy Homes & Fuel Poverty

3.28 The 'Healthy Homes - Places' project commenced in 2016 and is currently funded until 2019. It focuses on the most disadvantaged wards with the highest percentage of fuel poor households. In order to achieve the biggest impact on reducing health inequalities, the programme complements delivery of the ESCC Winter Home Check Service by providing top up funding for vulnerable residents in the 6 most disadvantaged wards in Hastings and Rother with major heating and insulation measures. The programme also targets concentrations of poor condition private rented homes in these areas, where tenants are fuel poor, with proactive inspections and follow up action to secure improvements, including enforcement of housing standards, where necessary. In practice the majority of enforcement action has occurred in Central St Leonards ward with some activity in Bexhill Central. So far the project overall has supported 165 households with additional heating and/or insulation improvements. It has supported 46 households in Central St Leonards and 23 in Gensing with heating and/or insulation improvements. In addition the project has achieved 69 inspections of poor condition private rented homes leading to 32 homes being improved following enforcement action.

4. Condition of the Housing Stock

4.1 In 2016 HBC commissioned a sample survey[7] of private housing conditions in seven wards where a high proportion of properties are privately owned and generally older. The seven wards selected for the Hastings Stock Condition Survey 2016 (HSCS) were: Braybrooke; Castle; Central St Leonards; Gensing; Old Hastings; Ore and Tressell. The survey assessed housing conditions in owner-occupied and private rented homes. As such it is very helpful in aiding analysis of trends in housing conditions and in particular for Central St Leonards and Gensing wards.

Category 1 Hazards

4.2 The Housing Health & Safety Hazard Rating System (HHSRS) introduced in 2008 is a national scheme governing the assessment of housing conditions across a broad range of hazards. It replaced the fitness standard and introduced the decent homes standard. Under the HHSRS Category 1 hazards are the most serious and where found the local authority has a duty to take action. The HSCS shows welcome improvement in Central St Leonards and Gensing wards, see Table 8 below, with 11.5% of dwellings having a Category 1 hazard in Central St Leonards and only 5% in Gensing. The HSCS findings indicate that Castle now has the highest level of Category 1 hazards followed by Tressell and Braybrooke. The HSCS also shows that the private rented stock (13.9%) has relatively more Category 1 hazards than owner occupation (10.2%).

Table 8: Category 1 Hazards by Hastings Housing Condition Survey Study Area - 2016

Ward	% of dwellings with a Category 1 Hazard
Gensing	5
Old Hastings	7.8
Ore	9.7
Central St Leonards	11.5
Braybrooke	14.7
Tressell	15.3
Castle	19.7
Overall Average	12.1

Source: Hastings Stock Condition Survey 2016

4.3 The progress made is significant when compared with the Private Sector House Condition Survey 2007 (PSHCS) and the NRA 2003. In 2007 the Central St Leonards sub-area, which included the bulk of Central St Leonards ward and most of Gensing ward (but not exactly the same boundary as the Renewal Area) identified the sub-area as having the most Category 1 failures at 34.4% and an unfitness rate of

[7] Hastings Stock Condition Survey 2016, Opinion Research Services

13.8%. This compares with an unfitness rate of 26% for the Renewal Area identified in the NRA 2003.

4.4 As indicated above the HSCS and the PSHSCS reports do not have the same study areas. Consequently, they cannot be directly compared with absolute confidence. However, there is a close enough match between the Central St Leonards sub-area used in the 2007 PSHSCS and the 2016 HSCS report on the wards of Central St Leonards and Gensing to give an indication of progress. Table 9 below shows a dramatic reduction in dwellings with a Category 1 hazard down from 34.4% in 2007 to 8.8% in 2016. In other words in 2007 around one in three private dwellings had a category 1 hazard, whereas in 2016 that proportion is closer to one in eleven.

Table 9: Category 1 Hazards – 2007 and 2016 Comparison

Area	% of dwellings with a Category 1 Hazard
2007 - Combined Central St Leonards and Gensing	34.4%
2016 - Combined Central St Leonards and Gensing	8.8%

Source: Hastings Stock Condition Survey 2016

Decent Homes

4.5 The HSCS also looked at dwellings that failed the 'decent homes standard' and again there is welcome improvement with Central St Leonards having 26.4% non-decent dwellings and Gensing having 14.2%, see Table 10 below. The highest levels of non-decency are now found in Castle at 41.5% followed by Tressell and Braybrooke. The HSCS also shows that in the study area the rate of non-decency for privately rented dwellings (31.4%) is higher than for owner occupied (19.7%).

Table 10: Non-decency by Hastings Stock Condition Survey Study Area - 2016

Ward	% of non-decent dwellings
Gensing	14.2
Old Hastings	20.0
Ore	19.5
Central St Leonards	26.4
Braybrooke	26.4
Tressell	24.9
Castle	41.5
Overall Average	25.7

Source: Hastings Stock Condition Survey 2016

4.6 The HSCS also compared the non-decency results for Central St Leonards and Gensing wards in 2016 with the 2007 PSHSCS Central St Leonards sub-area, (with the same caveat about direct comparison). Again the HSCS shows a dramatic reduction in non-decent dwellings from 60.2% in 2007 down to 21.2% in 2016, see Table 11 below.

Table 11: Non-decent dwellings – 2007 and 2016 Comparison

Area	% of non-decent dwellings
2007 - Combined Central St Leonards and Gensing	60.2%
2016 - Combined Central St Leonards and Gensing	21.2%

Source: Hastings Stock Condition Survey 2016

Energy Efficiency

4.7 The Standard Assessment Procedure (SAP) is the Government rating system for energy efficiency. The HSCS also compared changes in SAP ratings between 2007 and 2016 on the same basis as for Category 1 hazards and non-decency. Table 12 below shows that average SAP ratings have also increased a great deal. Previously in 2007 the average SAP rating was 40 (the lower end of Band E), whereas in 2016 the average SAP rating had increased to 60 (mid Band D), which is similar to the national average. Across the study area the HSCS shows that the average SAP rating is the same (58) for privately rented and owner-occupied dwellings.

Table 12: Average SAP Rating – 2007 and 2016 Comparison

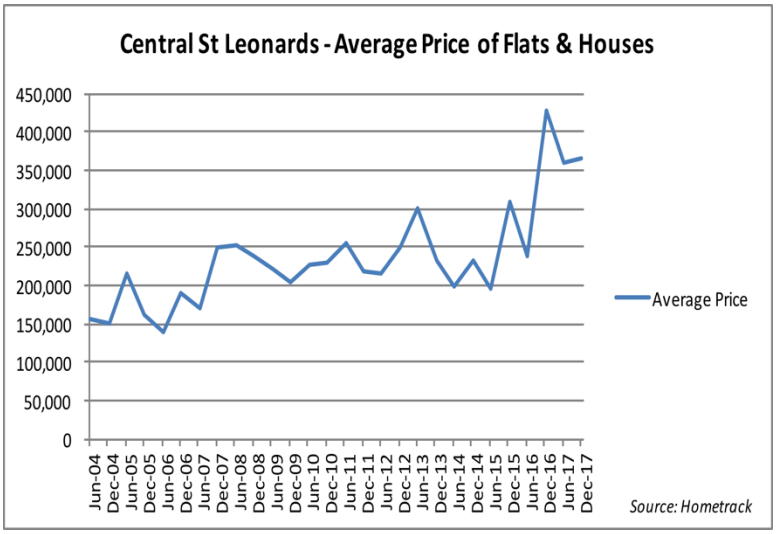
Area	Average SAP rating
2007 - Combined Central St Leonards and Gensing	40
2016 - Combined Central St Leonards and Gensing	60

Source: Hastings Stock Condition Survey 2016

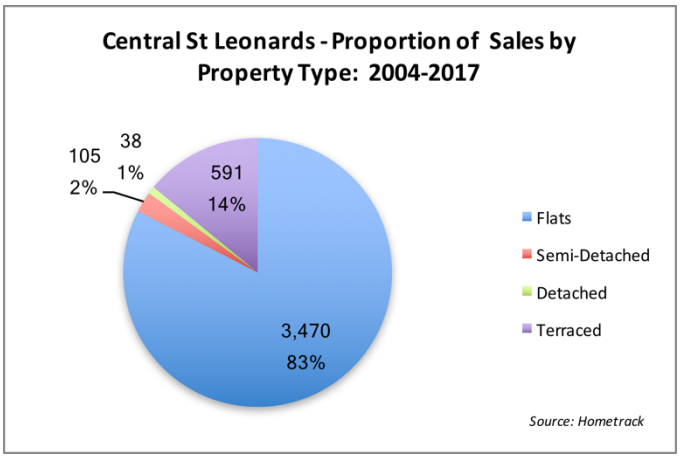
4.8 In summary, although the areas of the two stock condition surveys are not exactly the same and also do not mirror the Renewal Area boundary, the comparison indicates a fairly dramatic improvement in private housing conditions in Central St Leonards and Gensing wards and by proxy the Central St Leonards Renewal Area. Levels of Category 1 hazards and non-decency are proportionately greater in the privately rented sector. However, it is pleasing to note that Central St Leonards ward is no longer the area displaying the poorest private sector housing conditions.

5. House Prices

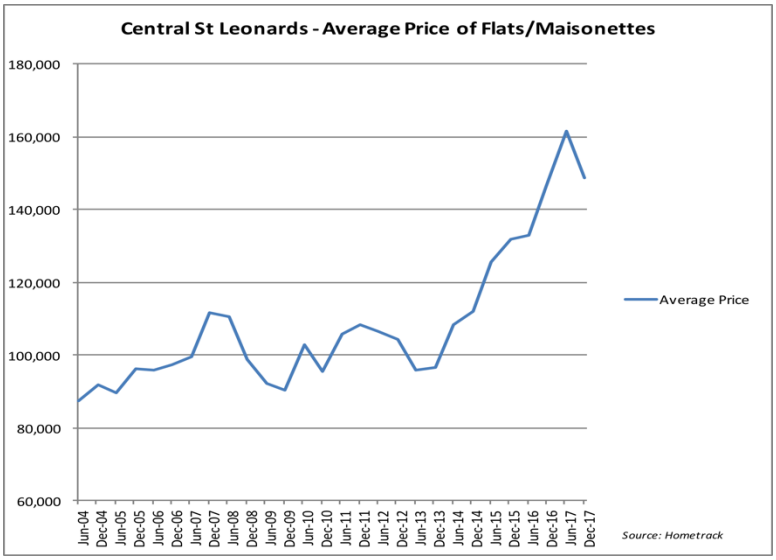
5.1 Information on house prices and property sales was obtained from Hometrack for the period June 2004 to December 2017. The chart below shows that since 2004 the combined average price of flats and houses in Central St Leonards has increased from £150,000 to just over £360,000. However, it also shows that average prices reached a peak of £426,000 in 2016 before falling back to £366,000 at the end of 2017. Whilst the tables below show that house prices in the area have continued to increase, the reduction in the average property price is largely due to a fall in the value of flats and apartments. Nonetheless, since the December 2013 decision to extend the Renewal Area for a further five years, it is interesting to note that over this period the average property price has increased from £200,000 to £366,000 (83%).



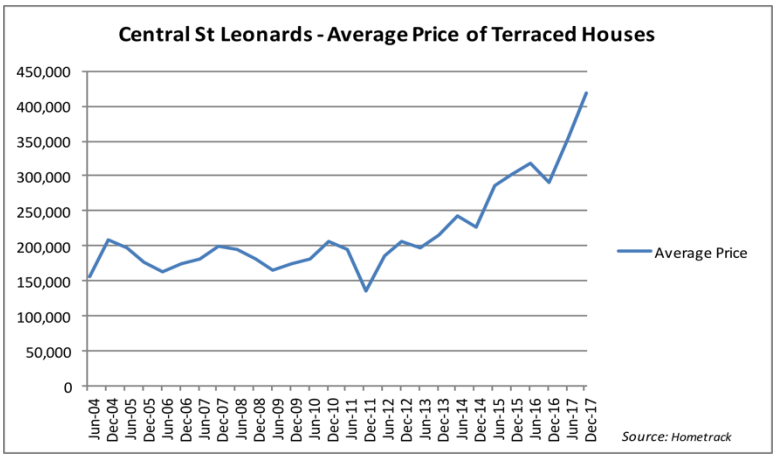
5.2 Flats are the predominant property type in the ward followed by terraced houses. There are relatively few detached and semi-detached houses in the area. This is reflected in the chart below, which shows that the majority of property sales were for flats (83%) and terraced houses (14%).



5.3 Detached and semi-detached houses attract considerably higher values than flats and terraced houses and they distort the overall picture slightly, even though the number of transactions is relatively small representing only 3% of all sales. The majority of transactions were for flats and the chart below shows that the average flat price has increased from £87,000 in 2004 to £148,000 in 2017, falling back from a high of £161,000 in 2016.



5.4 The chart below shows that between 2004 and 2017 the average price for a terraced house has fluctuated between £150,000 and just over £400,000, reaching £417,000 by the end of 2017. Significantly, house prices continue to increase and the price of a terraced house has doubled in the last five years.



5.5 The general increase in property prices since Renewal Area declaration in December 2003 is a welcome and positive indicator of progress towards regeneration. House prices in Central St Leonards are currently increasing at a faster rate than the Borough average. Interestingly prices have increased significantly in the area in the last five years despite the introduction of licensing across the whole private rented sector, the enforcement led approach to improving housing conditions and the CPO programme in respect of empty homes. This suggests a growing confidence in the area as a place to live and also in which to invest.

6. Social and Economic Regeneration

6.1 Central St Leonards remains one of the most disadvantaged areas in England and the South East and it is disappointing that the aspiration of taking it out of the worst 10% nationally has yet to be achieved. At declaration in 2003 Central St Leonards contained three Local Super Output Areas (LSOAs) in the worst 5% and one in the worst 10%[8]. This has remained the position through successive assessments of Indices of Multiple Deprivation including the most recent in 2015[9].

6.2 Within the limited resources available, HBC continues to work with partners and other coastal local authorities facing similar issues to support and develop initiatives that will help strengthen the community and improve economic prospects for local people. A number of current initiatives are detailed below.

CHART

6.3 Connecting Hasting and Rother Together (CHART) is an £8.1m programme to support the social and economic development of the most deprived LSOAs within the Hastings and Bexhill community. CHART is a Community-Led Local Development programme, with access to European Structural Investment Funds (ESIF) that will be used to support projects that link the areas' most deprived communities to opportunities. CHART is a local grant scheme to support local projects, as defined within the CHART local development strategy. It will support unemployed and inactive individuals through investment of European Social Funds and enterprises through investment of the European Regional Development Funds. Hastings town centre (Castle ward) and St Leonards town centre (Central St Leonards ward) are CHART localities.

6.4 CHART is a 'bottom up' grant scheme, which ensures that the CHART community is at the forefront of the developing, appraising and approving of projects, which meet the needs of their community whilst fitting with ESIF eligibility criteria. The programme objectives are to:

- Develop and deliver highly personalised and targeted support to individuals in the CHART area who are the most disconnected from the labour market, to provide new, better and more coordinated and durable pathways towards work, self-employment or self-enterprise
- Invest in physical assets to both improve the facilities and potential for employment and growth in the CHART area, and in business premises and infrastructure in the wider Hastings and Bexhill economy with the potential to create jobs for CHART residents
- Develop and deliver enterprise, self-employment and business support services to support growth of the local economy and labour market, including specific support for social enterprise/

[8] Indices of Multiple Deprivation 2000
[9] Indices of Multiple Deprivation 2015

entrepreneurship, cooperatives and community owned businesses in the CHART area.

6.5 The programme is currently being commissioned and will run until March 2022. Overall, the aim of the programme is to leave a legacy of stronger, more resilient communities, with the impact of giving local people more control of their own destinies, seen in greater self-confidence and willingness to work collectively and imaginatively.

South East Urban Coast Creative Enterprise Support (SUCCESS) Programme

6.6 Hastings, Tendring and Thanet collaborated on a joint Regional Growth Fund (RGF) bid geared to supporting business start-up and growth in the creative and tourism-related sectors. The bid was largely successful, in that £2.2m RGF was allocated for creative sector grant support. Launched in 2013, the programme funded several projects in the Central St Leonards area including the Kino Theatre (Norman Road).

St Leonards Town Team

6.7 The Town Team was established in 2012 following the Portas Pilot Project with £10k funding. Local businesses, representatives from the community and HBC and service providers are all working together to make St Leonards a thriving place to live. The Team continues to operate in the area and is involved in various activities including promoting regular markets in Kings Road; the St Leonards Festival; Frost Fair and St Leonards Xmas Lights.

St Leonards Festival

6.8 Now in its 13th year HBC currently supports and commissions the annual St Leonards Festival with £10k funding. Organised by the community with Town Team support, the Festival is an important part of HBC supported cultural activities.

Hastings Town Centre and Bohemia Area

6.9 The plan sets out a planning strategy for the future of the Hastings Town Centre and Bohemia and covers the period to 2033. If its

aspirations are delivered it will have a significant impact on the surrounding areas including Central St Leonards and the Castle areas. HBC launched a formal consultation in July 2018, which concludes in September.
https://www.hastings.gov.uk/planning/policy/emergingpolicy_guidance/action/

Bottle Alley

6.10 Bottle Alley is in Central St Leonards ward and is of historical importance being one of a number of concrete structures built on the seafront in the 1930s. Since 2016 HBC has carried out a programme of extensive concrete repairs to Bottle Alley and fully redecorated the structure. New detailed interpretation panels have been installed at each entrance to provide historical information for passers by. Facilities have also been created enabling the opening of small sea front businesses such as the Kayak Centre. The installation of a multi-coloured LED lighting scheme has recently complemented these earlier improvements. Bottle Alley provides an important all weather link between Central St Leonards/Warrior Square and Hastings Pier, the White Rock Theatre and the Source Skate Park. These improvements have made an important contribution towards the objective of improving footfall in Central St Leonards by strengthening links between Hastings and St Leonards town centres via the newly reopened pier.

7: Summary of Progress since 2013

Housing

7.1 In summary, at the end of March 2018 interventions by HBC and partners have achieved improvements affecting at least 1,300 homes over the life of the Renewal Area. This includes improvements to just over 200 whole HMOs, which will have benefited a number of flats contained within them. It is not possible to quantify a precise number but this does mean that significantly more homes will have benefited. Table 13 below provides a breakdown of the different categories of intervention. As expected, given the reduced availability of public sector investment the overall level of improvements achieved in the last 5 years is considerably lower than the previous 10 years.

Table 13: Central St Leonards Renewal Area			
Homes Improved			
	2003-2013	**2014-2018**	**Total**
Homes made fit	600	-	600
Homes improved that were not unfit but in substantial disrepair	300	-	300
Cat 1 Improvements	-	28	28
Cat 2 Improvements	-	7	7
Cat 1 & 2 Improvements	-	19	19
Energy efficiency installations	10	69	79
Homes repaired & improved by housing associations	53	-	53
Coastal Space/Optivo - homes repaired & improved	-	38	38
Whole HMOs Improved	104	98	202
Total Improvements	**1,057**	**190**	**1,326**

Source: HBC Housing & Built Environment

7.2 In addition, since 2016 HBC has licensed 2,030 private rented homes in Central St Leonards (and 1,220 in Gensing, some of which will be within the Renewal Area). Where property inspections reveal improvements are required landlords are required to ensure that the dwelling is brought up to standard and in a reasonable period of time. Selective Licensing is still at an early stage and it is too soon to quantify improvements achieved. However, based on the experience of HMO licensing it is reasonable to assume that a significant number of improvements will be achieved. Furthermore, the renewed HMO Additional Licensing scheme commenced in May this year and this should lead to further improvements of whole HMOs over the next five years.

7.3 The Coastal Space project is about to start work on a scheme to deliver 16 new homes and may well continue to deliver more if it can secure funding and identify suitable properties. The CCG funded Healthy Homes – Places project is currently funded until 2019 and will continue to deliver energy efficiency improvements in the area.

7.4 Undoubtedly, other properties will have been improved without HBC action as a direct consequence of Renewal Area activity creating greater confidence in the local housing market and the area as a whole. However, capturing this kind of data is not easy and no reliable information is available. Nonetheless there is evidence of growing private sector confidence in the area. Building repairs and improvements are ongoing throughout the area and new build housing schemes continue to progress on smaller vacant sites in the area. Over the life of the Renewal Area the Central St Leonards housing stock has increased by 360 new homes (and by 240 in Gensing). Confidence in the area has also had a significant impact on house prices. Since the decision to extend the Renewal Area the combined average price of flats and house prices has increased 86% from £200,000 to £366,000 and the average price of a flat has increased by 70%.

Environment

7.5 The Regeneration Framework and Masterplan adopted for Central St Leonards in 2005 continues to guide projects targeted at improving the street scene and the public realm. The recent repairs and improvements to Bottle Alley, including the LED lighting display, together with improvements to the public realm around the pier have made a big impact on this stretch of the seafront and contribute to the objective of strengthening links between Hastings and St Leonards town centres.

Overall Investment

7.6 In 2013 total investment from public and private sources was estimated to have exceeded £26m. Since 2013 the Coastal Space project has resulted in an approximate investment of £6m and may lead to further investment in the future. The CCG programme to help reduce health inequalities in disadvantaged wards across the town has invested £2.75m in HBC led projects. Not all has been spent on specific Central St Leonards' projects but many local residents will still have been beneficiaries of the programme. The CHART programme is investing £8.1m across the 10 most disadvantaged wards in Hastings, St

Leonards and Bexhill. Residents of Central St Leonards and Gensing wards, therefore, will benefit from this investment in the coming years.

7.7 Private sector investment in housing improvements and in businesses is difficult to quantify but undoubtedly will have been significant over the life of the Renewal Area. The HSCS 2016[10] estimated the average cost of achieving the decent homes standard at £3,560 (private rented dwellings - £4,250 and owner-occupiers £2,370). Given the estimated reduction in non-decent dwellings from 66% to 26.4% between 2007 and 2016 (approximately 1,500 dwellings) this suggests a potential private sector investment in excess of £5.3m.

[10] Hastings Stock Condition Survey 2016 Report – Page 39

8. Renewal Areas and Government Policy

Renewal Area Declaration and Extension

8.1 The Renewal Area was declared under Part VII (section 89(1)) of the Local Government and Housing Act 1989 (LGHA89) and the decision to extend the declaration for a further five years was made under section 89(4)(b). The extension of time was agreed by HBC Cabinet on 4 November 2013 and this means that Renewal Area status will lapse on 4 November 2018. There is no legal requirement to publicise the expiry of the Renewal Area. However, as it is registered as a local land charge it will be necessary to remove this reference from all relevant addresses. HBC may also wish to publicise that the Renewal Area has expired and highlight the key achievements.

Renewal Area Powers

8.2 A Renewal Area declaration gives local authorities additional powers to help deliver the objectives agreed for the area[11]. These include the acquisition of land and buildings by agreement or by compulsory purchase and carrying out works on land owned by the local authority or by others.

Government Policy on Private Sector Housing Renewal

8.3 Section 89(5) of the LGHA89 requires local authorities considering declaring or extending a Renewal Area to take account of guidance issued by the Secretary of State. Until January 2015 there were a number of Government circulars and guidance manuals governing Renewal Areas:

- Neighbourhood Renewal Assessment and Renewal Areas (DETR, 1997);
- Private Sector Renewal Strategies: A Good Practice Guide (DETR, 1997);
- Running and Sustaining Renewal Areas (DETR, 2000);
- Addressing the Needs of Run Down Private Sector Housing (ODPM, 2002);
- Housing Renewal Guidance – ODPM Circular 05/2003;
- Neighbourhood Renewal Assessment guidance manual (ODPM, 2004).

8.4 However, on 16 January 2015 in a House of Commons Written Statement[12] the Secretary of State for Communities and Local Government announced the cancellation of the above guidance documents, describing them and a number of others concerning clearance and demolition as being outdated and no longer reflecting Government policy. Instead, current Government private sector housing policies are targeted at bringing empty homes back into residential use and supporting the growth of the private rented sector, whilst at the same time improving the management and maintenance of the sector through licensing or self-regulation[13].

11 Section 93 Local Government & Housing Act 1989
12 House of Commons: Written Statement (HCWS205) – 16 January 2015
13 Improving the Private Rented Sector and Tackling Bad Practice: A guide for local authorities – DCLG March 2015

8.5 Until March 2011 Government capital funding support was available for private sector housing renewal financial assistance to assist private owners to carry out repairs and improvements to their homes; and in Renewal Areas it was available for specific activities, such as provision of environmental improvement schemes. This support ended in 2010/11 as part of the Government's public sector deficit reduction spending plans. Financial assistance for the Renewal Area effectively ceased at the end of March 2011, three quarters of the way through the 10-year programme.

9. Summary and Conclusions

9.1 This report shows that the alternative approaches adopted when the Renewal Area was extended have achieved steady progress since 2013, despite the limited public sector resources available. Enforcement of housing standards and licensing of HMOs and private rented dwellings is delivering results. Measures to address fuel poverty are making a difference. Coastal Space has provided an important strategic overview as well as improving homes for affordable rent, adding to the housing stock and delivering community development support. The focus on tackling empty and derelict or unsightly buildings continues to prove successful. Neighbourhood policing has resulted in a significant reduction of anti-social behaviour.

9.2 The perception of central St Leonards as a place is changing in a positive way, as evidenced by the confidence in the local housing market and the improved shopping offer in the town centre. St Leonards town centre is now thriving. The Town Team continues an important partnership between businesses, the community, HBC, the police and other key partners to help promote the locality. The CHART programme will help to deliver more durable pathways towards work, self-employment or self-enterprise for those most disconnected from the labour market.

9.3 The HSCS shows a dramatic reduction in poor condition non-decent homes. Conditions in Central St Leonards and Gensing wards are now on a par or better than other wards with high concentrations of older housing and private renting. The growth of the private rented sector in Central St Leonards is an ongoing concern as it approaches 60% of all households. The HSCS confirms that the poorest conditions remain in private rented homes but these can be addressed through the licensing schemes. Central St Leonards and Gensing wards are covered by the Selective Licensing scheme until 2021 and the new HMO Additional Licensing scheme until 2023.

9.4 The Renewal Area approach is no longer part of Government policy and not supported financially. Since 2015 the Government has cancelled guidance on renewal areas. HBC has not needed to use Renewal Area powers, e.g. acquisition of buildings and CPO, as alternatives are available. Therefore, a renewal area declaration no longer provides any real added value.

9.5 In conclusion, the Renewal Area framework has helped achieve dramatic improvements to the housing stock, as well as achieve improvements to the local environment, to community safety and to St Leonards town centre. However, without the status of a renewal area HBC's strategic approach towards licensing HMOs and the private rented sector, tackling empty homes and Grotbusters will continue to deliver improvements in the management and maintenance of poor quality homes over the coming years. The Coastal Space programme will continue and may help lever in additional resources moving

forward. In addition, the central St Leonards area remains a priority for Sussex Police and other partners such as NHS Hastings & Rother CCG, East Sussex County Council and Optivo.

9.6 Overall much has been achieved in the area and the significant improvements resulting from Renewal Area activity by a wide range of partners over the past 15 years are to be welcomed.

Appendices

1: Key Neighbourhood Renewal Assessment Findings

- 3,810 homes in the area contained within 921 buildings
- 83% of homes (3,210) were in multi-occupied buildings (HMOs)
- 45% of households lived in the private rented sector
- 2% of dwellings were in general needs social housing compared to 16% across the Borough
- 26% of homes (985) were 'unfit for human habitation'
- 22% of homes (833) although not 'unfit' were in serious disrepair
- 42% of homes (1,607) failed the 'decent homes standard'[14]
- 50% of HMOs did not meet fire safety standards
- 55% of residents liked the area
- 62% of residents were happy with their home as a place to live
- 76% of businesses felt anti-social behaviour was a serious problem
- 61% of businesses felt the poor appearance of the area was a problem
- 63% of residents felt that crime was a serious problem
- 48% of households had an income of less than £10,000
- 13% of people were unemployed
- 18% were on Income Support
- The five most serious issues in the area, rated by residents as 'very important' were:
    - Crime reduction
    - Dealing with drug problems
    - Dealing with alcohol problems
    - Dog fouling and street cleaning
    - Improving employment opportunities

[14] The Decent Homes Standard was a new Government standard introduced for private homes in 2003 that at the time of the NRA took into account not only 'unfitness' but also the condition and age of amenities and building components. The standard incorporates four broad criteria that a property should: 1) be above the legal minimum standard for housing, 2) be in a reasonable state of repair, 3) have reasonably modern facilities, and 4) provide a reasonable degree of thermal comfort.

2: Renewal Area Strategy – Strategic Priorities

SAFER STREETS	
Priority 1	ENFORCEMENT & VISIBILITY
Priority 2	DRUG & ALCOHOL ABUSE
Priority 3	DESIGN OUT CRIME
Priority 4	BETTER INFORMATION
A STRONGER COMMUNITY	
Priority 5	ENGAGING WITH THE COMMUNITY
Priority 6	A FOCUS FOR THE COMMUNITY
Priority 7	BETTER PUBLICITY
Priority 8	A MORE ACTIVE LIFESTYLE
BETTER HOUSING	
Priority 9	BETTER QUALITY HOUSING
Priority 10	A MORE DIVERSE MIX OF HOUSING
Priority 11	A MORE STABLE COMMUNITY
AN ENVIRONMENT TO BE PROUD OF	
Priority 12	CLEANER STREETS
Priority 13	CELEBRATING THE LOCAL HERITAGE
Priority 14	AN URBAN RENAISSANCE
Priority 15	TACKLING DERELICT & UNDERUSED PROPERTIES
PATHWAYS TO WORK	
Priority 16	GETTING LOCAL PEOPLE INTO JOBS
Priority 17	LEARNING FOR WORK
Priority 18	DEVELOPING LOCAL ENTERPRISE
Priority 19	IMPROVING THE RETAIL OFFER

3: Renewal Area Programme - Key Performance Indicators

Central St Leonards Renewal Strategy 2004
Key Performance Indicators and Performance at March 2013

OVERALL **1. Narrowing the Gap** (Community Strategy Target 1)			
Take Central St Leonards out of the worst 10% nationally by 2013 Baseline 2000: Central St Leonards in worst 2.3%			
Target		**Achievement**	**Status**
2005	• Better than worst 5%	• 3 Super Output Areas in the worst 5% & 1 in the worst 10%[15]	●
2008	• Better than worst 7.5%	• 3 Super Output Areas in the worst 5% & 1 in Worst 10% (=no change)[16]	●
2013	• Better than worst 10%	• 3 Super Output Areas in the worst 5% & 1 in Worst 10% (=no change)[17]	●
SAFER STREETS **2. Community Safety** (Community Strategy Target 5)			
Reduce the gap between overall crime rates per 1,000 for Central St Leonards and the average for Hastings as a whole Baseline June 2004: 289 crimes per 1,000 population			
Target		**Achievement**	**Status**
2005	• 280 per 1,000	• 282 per 1,000 (2006)	●
2008	• 260 per 1,000	• 334 per 1,000 (or 169 per 1,000 excluding ASB)	●
2013	• 220 per 1,000	• 225 per 1,000 (or 125 per 1,000 excluding ASB)	●
A STRONGER COMMUNITY/AN ENVIRONMENT TO BE PROUD OF **3. Resident Satisfaction with the Local Neighbourhood** (Community Strategy Target 2)			
Increase the percentage of local people satisfied with their neighbourhood as a place to live to 75% by 2013 Baseline August 2003: 59% Quite/Very Satisfied with Central St Leonards			
Target		**Achievement**	**Status**
2005	• 62%	• 58% Quite/very satisfied	●
2008	• 67%	• 64% Quite/very satisfied (2006)	●
2013	• 75%	• 64% Very/fairly satisfied[18]	●

[15] Indices of Multiple Deprivation 2004
[16] Indices of Multiple Deprivation 2007
[17] Indices of Multiple Deprivation 2010
[18] Place Survey 2011 - HBC

BETTER HOUSING

4. Housing - Improving Conditions

(Community Strategy Target 17)

Remove the gap between Central St Leonards and the Hastings average for unfit homes

Baseline 2003: Local performance Indicator is 200 homes made fit p.a. for Hastings i.e. 65 for Central St Leonards

Target		Achievement	Status
2005	• 65 homes made fit	• 131 homes made fit	●
2008	• 260 homes made fit	• 406 homes made fit	●
2013	• 585 homes made fit[19]	• 327 homes improved to Cat 1 and 2 standard • 192 homes made decent • 104 whole HMO buildings made decent or improved	●

PATHWAYS TO WORK

5. Unemployment

(Community Strategy Target 7)

Reduce average unemployment in the town to the East Sussex level by 2013

Baseline May 2004: Unemployment in Central St Leonards is 10% compared with Hastings 3.8%, i.e. 6.2% higher that the town as a whole (East Sussex figure is 1.9%)

Target		Achievement	Status
2005	• 6% higher than Hastings	• CStL 7.4% - Hastings 3% = 4.4%[20]	●
2008	• 4.5% higher than Hastings	• CStL 6.6% - Hastings 3.3% = 3.3%	●
2013	• 2% higher than Hastings	• CStL 12.3% - Hastings 5.5% = 6.8%	●

Status	
●	Target achieved or exceeded
●	Target close to being achieved
●	Target unlikely to be achieved

[19] Fitness standard replaced by Health & Safety Hazard Rating System in April 2006

[20] Source: All data from NOMIS - JSA claimants as proportion of resident population aged 16-64

4: Central St Leonards Renewal Area: Delivery Plan - Progress 2013

Progress @ 31 March 2013

Better Housing				
Strategic Themes & Aims	**Project/Action**	**Targets, Outputs & Outcomes**	**Outturn - 31 March 2013**	**Status**
Increase the provision of Social Housing in the area Renewal Strategy Priority - 9, 10, 11 & 15	**New refurbishment led affordable housing developments within existing buildings**	Provide new affordable homes in the area through the conversion of existing street properties	53 affordable homes delivered by Amicus HA between 2003-2008 through street property acquisitions. 28 x 1 beds 8 x 2 beds 15 x 3 beds 2 x 4 beds Investment £4.5m	GREEN
	Coastal Space Project - acquisition and improvement of street properties & wider regeneration	16 new affordable homes delivered by Local Space HA pilot 51 new affordable homes delivered by Amicus HA Partnership activity to address worklessness, economic development and community investment	5 affordable homes completed by Local Space HA in 2012 Funding agreement in place between HBC, Amicus HA and Homes & Communities Agency for overall investment of £6.3m to deliver 51 new homes by March 2015 Staff resources identified by HBC, Amicus HA and Sussex Police to support the Coastal Space programme	AMBER
	Increase the provision of affordable housing on vacant sites in the area	Develop one site for affordable housing in CSL area.	Two new build terraces on St Margaret's Road have delivered 17 new family homes. Other new homes currently under development in Caves Road.	GREEN

Better Housing

Strategic Themes & Aims	Project/Action	Targets, Outputs & Outcomes	Outturn - 31 March 2013	Status
Implementation of the Housing Renewal Programme Renewal Strategy Priority - 9, 10, 11, & 15	**Introduce a new Additional HMO Licensing Scheme, if feasible**	Deliver an additional HMO licensing scheme in Central St Leonards and other relevant areas.	Additional HMO Licensing Scheme adopted and implemented in Central St Leonards and 3 other town centre wards in September 2011. 96 HMOs licensed in Central St Leonards ward at March 2013	GREEN
	Deliver the Housing Renewal Programme	Remove gap between Central St Leonards and the Hastings average for unfit homes - 260 homes made fit by 2008 40 homes to be brought up to Decent Homes Standard per annum - 200 made Decent by 2013	406 homes made fit by March 2008 94 whole HMO buildings improved by March 2008 192 homes made Decent by March 2013 10 HMOs made Decent	GREEN
	Empty Homes Strategy	Reduce the number of long-term empty homes by 30% in CSTL, focussing on properties empty over 2 years. Baseline: 2001 - 297 homes empty for 6 months or more in Central St Leonards	Long term empties reduced by 38% 183 homes empty for 6 months or more in Central St Leonards at January 2013	GREEN
	Use CPO powers to bring derelict buildings and land back into use with RSL and other partners	To use CPO powers where necessary to tackle poorly maintained buildings and land.	11 CPO resolutions have been made on empty properties in Central St Leonards	GREEN
	Affordable Warmth - Fuel poverty and carbon emissions	Install 15 energy efficiency measures per annum in Central St Leonards	10 homes provided with energy efficiency measures in 2012/13	AMBER
A more diverse mix of Housing Choice Renewal Strategy Priority - 10 & 11	**Regeneration led Housing Planning Policy**	Policy of increased provision of larger housing units in the area is reflected in the Local Development Framework (LDF) Core Strategy	Included in Spatial Area Policy FA4 (Strategy for Central St Leonards) of Local Pan 2012-2029 283 additional homes completed in Central St Leonards ward between 2004-2013 following planning consent for conversion or new build - 20% (58 homes) affordable	GREEN

Better Housing

Strategic Themes & Aims	Project/Action	Targets, Outputs & Outcomes	Outturn - 31 March 2013	Status
	Reduce the high levels of Private renting	Deliver 10 first time buyers assistance packages.	5 first time buyer assistance packages completed (Private rented sector in CStL ward has increased from 46% to 58% over the past 10 years.)	RED
	Development of Crystal Square Car Park	Develop proposal for: 157 new homes 245 parking spaces New retail area	Very little interest over the last 10 years in the site due to the current economic climate but it remains a development opportunity within the current planning policy.	RED
	Development of Sorting Office Site	Site developed for 6 affordable homes and retail - long-term Bring site back into use as a public space - short term	Site now owned by Homes & Communities Agency who are marketing it to potential developers.	AMBER
	Development of Alpha Café site	47 Homes (Total) 13 Affordable Homes 32 Parking Spaces	Network Rail continues to look for active partners to develop the site but without much success. The site value is relatively low and the build cost remains relatively high given the location of the site.	RED

Safer Streets

Strategic Themes & Aims	Project/Action	Targets, Outputs & Outcomes	Outturn - 31 March 2013	Status
Enforcement & Visibility Renewal Strategy Priority - 1 & 2	**Declaration of Alcohol Free Zone and introduction of dedicated 'street drinking' PCSOs.**	Reduction in street drinking Employment of additional police presence in the local area High visibility presence to reduce fear of crime	Alcohol Free Zone declared and continues with dedicated police officers and other support officers to reduce the number and impact of street drinkers.	GREEN
	Declaration of Central St Leonards as a Dispersal Zone.	Run 2 dispersal orders in the Central St Leonards area.	Dispersal orders were regularly implemented up to 2011. The emphasis has shifted to continuing high visibility and targeted interventions in particular streets.	GREEN
	Guide and advise economic and business delivery policy within the sub-area for the benefit of the residents and business.	Reduction in crime and ASB Improve the services available to existing and new businesses	Town Team - traders, residents, HBC, police and local councillors -meets to look at ways of promoting and enhancing Central St Leonards. HBC provides dedicated support for this work. Police attend St Leonards Business Association to enable dialogue and action on business concerns.	GREEN
	Target crime and antisocial behaviour (ASB) in the area by supporting the work of the Multi-Agency Tasking Team (MATT).	Reduction in crime and ASB Co-ordinate effective monthly MATT meetings, involving a range of partners.	Regular MATT team meetings, chaired by HBC, are held to discuss, manage and agree actions to address issues as they arise.	GREEN
	Central St Leonards Neighbourhood Panel	Reduction in crime and ASB Provide an open forum for the local community to raise concerns and identify community priorities	Neighbourhood Panel meets quarterly. Current top-three priorities are 1. Street drinking/begging 2. Parking on double yellow lines/pavements - London Road & Kings Road 3. Dog fouling across Central St Leonards ward	GREEN

A Stronger Community

Strategic Themes & Aims	Project/Action	Targets, Outputs & Outcomes	Outturn - 31 March 2013	Status
A Stronger Community Renewal Strategy Priority - 4, 5, 6, 7 & 19	**Develop the work of the Gensing & Central St Leonards Community Forum**	A self sustaining Forum structure	Gensing & Central St Leonards Forum now has charity status and no longer receives HBC funding. It is now working with a range of partners to sustain its facility and work.	GREEN
	Provide Community Space for meetings and provision of information	Community information centre located in the area	Gensing & Central St Leonards community information centre opened at Silchester Road in 2005 and the Forum has sufficient funds for it to remain open until at least April 2014.	GREEN
	Develop a Media Strategy for Central St Leonards	Marketing strategy agreed Develop a Central St Leonards website	Town Team now has its own website as well as the 'Very St Leonards' website. There are also numerous independent websites promoting the area and particular roads, e.g. Kings Road & Norman Road.	GREEN
	Deliver the annual community festival in partnership with the local Forum	St Leonards Festival held annually Improved community cohesion	St Leonards Festival held in July each year since 2006. Latest festival delivered successfully on 13 July 2013, supported by the new Town Team.	GREEN
	Improve co-ordination of HBC and other services in the area	Facilitate effective co-ordination arrangements for service delivery in Central St Leonards.	HBC and partners' work is now co-ordinated via the Coastal Space Project Board and Operational Group. HBC, AmicusHorizon working with other partners to develop community empowerment and development work in the area.	GREEN

An Environment to be Proud Of

Strategic Themes & Aims	Project/Action	Targets, Outputs & Outcomes	Outturn - 31 March 2013	Status
An Environment to be proud of Renewal Strategy Priority - 3, 8,13, 14 & 15	**Develop Central St Leonards Urban Renaissance programme**	Adopt townscape Masterplan	Masterplan adopted in 2005. Initial programme now complete and allocated funding fully spent.	GREEN
	Produce a Town Centre Design Manual	Provide a Streetscape Design Manual for Central St Leonards	Manual published in 2007 and adopted by HBC and ESCC. Manual complements ESCC & HBC approach to improving the public realm.	GREEN
	'7 Streets' Pilot - Sllchester Road environmental improvements	Greener streetscape, improved pavements, improved parking & refuse arrangements and safer streets	Silchester Road environmental improvement project completed in 2007. 'OSCAR' refuse bins upgraded throughout '7 Streets' area.	GREEN
	Deliver the Kings Road Corridor Project	Create a safe and high quality shopping environment in Kings Road	Improvements to Kings Road completed in 2010. Further improvements planned in 2013 - tree planting and signage.	GREEN
	Warrior Square Parking improvements	Increase parking spaces around Warrior Square by implementing one-way system and echelon parking	Parking improvement scheme completed in 2009.	GREEN
	Improve and restore key buildings/shop fronts via Conservation Area Partnerships scheme (CAPS) and Townscape Heritage Initiative (THI)	30 Eligible buildings into good repair 6 key buildings brought back into use 20 buildings restored - architectural detail and shop fronts	CAPS 17 properties improved on Kings Road & St Leonards seafront, including Regents Court and Christ Church Old School (Magnet Centre/Renaissance House). Investment £3.5m. THI 18 properties (24 dwellings) improved, major repairs to Marine Court canopy and essential repairs to the Congregational Church, London Road.	GREEN

An Environment to be Proud Of

Strategic Themes & Aims	Project/Action	Targets, Outputs & Outcomes	Outturn - 31 March 2013	Status
			Investment £2.8m.	
	Improve poorly maintained building frontages through action by 'Grotbusters' team	Key buildings targeted by 'Grotbusters' team	111 buildings improved as a result of warnings and formal action.	GREEN
	Refurbishment of Marina Pavilion as a landmark seafront building	Restored building providing a new seafront 'destination' point Establish new restaurant and event venue	Restoration work completed and Azur restaurant, conference and event venue opened in 2008. Restaurant is in active use.	GREEN
	Environmental Project to support Marina Pavilion	Enhanced public realm around Marina Pavilion and surrounding area	Environmental improvement project completed in 2007/08	GREEN
An Environment to be proud of Renewal Strategy Priority - 3, 8, 13, & 14	**St Leonards Arts Project - Introduce public art into streetscape design**	Deliver two Arts projects in the Central St Leonards area	Projects have been delivered in Kings Road area, e.g. Kings Road Steps in 2008 & the 'space' now located at former BR social club site.	GREEN
	Deliver phase 2 of the St Leonards Gardens improvements.	Deliver phase 2 (Interpretational offer on site).	Project completed in 2009.	GREEN
	Marina Phase 2 & Stockleigh Road - Greener streetscape, improved parking arrangements & safer streets	Obtain Funding for project	Project on hold until suitable funding is identified.	RED

An Environment to be Proud Of

Strategic Themes & Aims	Project/Action	Targets, Outputs & Outcomes	Outturn - 31 March 2013	Status
	Improved Seafront area connecting with Marina, Grand Parade, Warrior Gardens, Bottle Alley and the Pier	Obtain Funding for project	Restoration of the Pier due to start in September 2013 following successful funding package. Some connecting art and play facilities introduced on the seafront and will be extended over the next few years. Seafront strategy currently under review.	AMBER

Pathways to Work

Strategic Themes & Aims	Project/Action	Targets, Outputs & Outcomes	Outturn - 31 March 2013	Status
Developing of Local Enterprise and Employment Opportunities Renewal Strategy Priority - 16, 17, 18, & 19	**Produce an Economic Development Strategy - identifying the role of Central St Leonards**	Economic Development Strategy with an action plan	Hastings & Bexhill Economic Development Strategy 2008-2013 published in 2008. Strategy currently under review.	GREEN
	Develop and implement actions to tackle impact of recession in the local area and improve retail vitality	Identify a range of Area Based Grant (ABG) actions that address the impact of the recession in St Leonards shopping area	A number of local businesses were supported to help create & sustain jobs, develop skills, support employees and improve shop fronts. Support also provided to events, e.g. Marine Court open event and St Leonards Festival. The Government closed the ABG programme in March 2011.	GREEN
		A new positive image for Central St Leonards including delivering marketing and promotional events in the area promoting the retail and leisure offer	CStL website and a marketing strategy developed. Newly formed Town Team developing a strategy for Central St Leonards. Christmas market and events delivered in Kings Road.	GREEN
Developing of Local Enterprise and Employment Opportunities Renewal Strategy Priority - 16, 17, 18, & 19	**Deliver regular quality street markets in the St Leonards area**	Regular sustainable markets	Town Team is organising a regular market in Kings Road.	GREEN
	Deliver other quality events in the local area to attract visitors the town	Regular events in St Leonards Gardens and at Warrior Sq. Station	A range of events agreed with involvement of residents and traders have taken place. Newly formed Town Team is developing a strategy for the future.	GREEN
	LEGi projects - BizzFizz and IdeaSpark	Increase in business start ups, skills development, job creation	This borough wide project helped support a number of new businesses in the area such as: McCarron's, QOL@Spikes deli and Playfords hair salon. The Government closed the LEGI programme in March 2010.	GREEN

Pathways to Work

Strategic Themes & Aims	Project/Action	Targets, Outputs & Outcomes	Outturn - 31 March 2013	Status
	LEGI FOOD (Food on our Doorstep) Project	Increased food and related sector, job creation, people into employment, skills development	This borough wide project helped support a number of businesses such as: St Clements, The Cake Box, Fortes Restaurant & Pizzeria, Gurkha Chef, Kassa Coffee, and Azur.	GREEN
	Secure ABG funding to tackle worklessness in CSL.	Deliver specific ABG funded interventions to address worklessness issues in CSL.	A range of borough wide projects addressed worklessness but were not asked to record project data by area, so no direct data for CStL. Recent service delivery in this target area continues to be supported via HBC community partnership funding (CPF).	GREEN
	Establish a co-ordinated training & employment opportunity in the public sector **Training and Employment Centre in CStL +** **LEGI Opening Doors to Employment and Enterprise project**	Accessible training and employment opportunities with some of the largest employers in the area Accessible training and employment Centre in the heart of the town	Projects across all programmes provided a variety of employment and skills training supported via LEGI, ABG & CPF. South Coast College Hastings supported 440 people (233 females & 207 males) in Central St Leonards ward between April 2010 and March 2012.	GREEN

5: New Homes from Planning Permissions

Summary of Planning Completions April 2004 - March 2018				
Year	Central St Leonards		Gensing	
	Gross	Net	Gross	Net
2017-18	22	15	20	18
2016-17	23	18	7	7
2015-16	19	7	11	5
2014-15	32	28	13	10
2013-14	13	9	15	12
Sub-Total	**109**	**77**	**66**	**52**
2012-13	2	2	3	2
2011-12	27	21	8	5
2010-11	23	21	17	12
2009-10	27	24	47	43
2008-09	67	64	4	1
2007-08	64	48	52	40
2006-07	37	32	17	17
2005-06	54	45	46	45
2004-05	31	26	33	23
Sub-Total	**332**	**283**	**227**	**188**
Totals	**441**	**360**	**293**	**240**

Source: HBC Housing & Built Environment

6: Background Papers

Local Government & Housing Act 1989 as amended by the Regulatory Reform Order 2002

Housing Renewal - Circular 05/2003 ODPM Guidance - 17June 2003

Central St Leonards Neighbourhood Renewal Assessment 2003
- 'pps'

Central St Leonards Renewal Area - Declaration
- HBC Cabinet Report 18 December 2003

Hastings Private Sector House Condition Survey 2007 – February 2008
- CPC

Central St Leonards Renewal Area – Extension of Time Frame
- HBC Cabinet Report 4 November 2013

House of Commons: Written Statement (HCWS205) – January 2015
- Department for Communities and Local Government

Hastings Stock Condition Survey 2016 – December 2016
- Opinion Research Services

Agenda Item 7

To Councillor Davies
Chair of Overview and Scrutiny Committee

20/8/2019.

ACCESS TO INFORMATION RULES
KEY DECISIONS
RULE 20 –general exceptions.

NOTICE is hereby given under Rule 26 of the Access to Information Rules contained in the Council's Constitution that the following key decision will be taken at Cabinet on: -

Cabinet – 2 September 2019			
Decision	Consultation and Timetable	Working Papers and files	Responsible Officer / Portfolio Holder
12/13 York Buildings (Listed building) To increase the capital budget to convert the upper floors to 6 flats to £846,000 (was previously £757,000).	Report available 5 working days prior to cabinet	As per reports (Part 1 & Part 2 reports)	Peter Grace (Chief Finance Officer) Cllr Peter Chowney (Leader)

Signed ..... Chief Legal Officer

Dated 21 August 2019

Note:
Rule 26.20 General Exception
If a matter which is likely to be a key decision has not been included in the forward plan, then subject to Rule 26.20 (special urgency), the decision may still be taken if:

(a) the decision must be taken by such a date that it is impracticable to defer the decision until it has been included in the next forward plan and until the start of the first month to which the next forward plan relates;
(b) the Chief Legal Officer has informed the chair of a relevant overview and scrutiny committee, or if there is no such person, each member of that committee in writing, by notice, of the matter to which the decision is to be made; and
(c) the Chief Legal Officer has made copies of that notice available to the public at the offices of the Council; and
(d) at least five clear days have elapsed since the Chief Legal Officer complied with (b) and (c).

Where such a decision is taken collectively, it must be taken in public.

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Report to: **Cabinet**

Date of Meeting: **2 September 2019**

Report Title: **12/13 York Buildings**

Report By: **Peter Grace**
Assistant Director Financial Services & Revenues

Purpose of Report

To seek approval for additional capital funding to convert the upper floors to six flats.

Recommendation(s)

1. **To increase the capital budget to convert the upper floors to 6 flats to £846,000 (was previously £757,000).**

Reasons for Recommendations

Following delays with obtaining consent to discharging conditions of the listed building consent and changes required to the original specification the project costs have increased. However with the historically low interest rates there is still a window of opportunity to convert the derelict upper floors in this grade 2 listed building (which has high conversion costs), to create much needed new residential accommodation and generate additional income for the Council. The estimated additional income increases from that reported in July 2018 despite the cost increase; this is the result of reductions in overall borrowing costs.

Introduction

1. The total estimated project costs are now £845,038 which is £88,038 above the previously agreed budget of £757,000. We have spent £27,532 to date (professional fees, fire safety strategy report and floor plans).

2. The additional works costs are set out in more detail below.

   a. An uplift for inflation at 3% due to the delays (the original tender was submitted in June 2018). This is considered reasonable by the Quantity Surveyor as the Building Cost Information Service All-In Tender Price Index is forecasting a 4% increase between 2Q/2018 and 3Q/2019.

   b. Changes needed to the specified works to satisfy Conservation requirements:

      i. Internal walls and partitions – overall increase of 3.5%.

      ii. Internal doors – a major change to the specification as the doors are now to be made by a specialist joinery company.

      iii. Wall finishes - various changes including new plasterboard lining and increased specification.

      iv. Floor finishes – stair nosings changed from uPVC to brass at an increase of £6,559.

3. This has led to an overall increase in works costs from £668,006 to £751,653. These have been verified by the Quantity Surveyor.

4. The professional fees (these are based on a % of the work costs) have increased to £57,928. The surveyor's report is attached as a Part 2 item.

5. It should be noted that there would be significant costs that would need to be incurred should the Council not proceed with these works. The roof needs urgent repairs and there will also be structural work required. The presence of Asbestos makes this building more problematic when seeking to undertake repair works to maintain the integrity of the building. The Architects have estimated the costs at some £60,000. This includes roof repairs and scaffolding (£13,000), electricity supply and security (£11,000), roof, floor and stair strengthening works (£25,150), plus preliminaries (£5,000) and architects/surveyor fees (£5,500). No estimate for fire protection works has been included. There would also be annual ongoing maintenance, insurance and service costs.

Financial Implications

6. Local Agents had previously advised in 2018 that once completed the flats would have a rental value in the order of £40,200 per annum and if sold on long leases a value of £520,000 as detailed below:

   a. Flat 1. 1 bedroom first floor flat with separate kitchen. £550 per calendar month (value £85,000).

b. Flat 2. 1 bedroom first floor flat with a good sized open plan living area and a study room. £575 per calendar month (value £90,000).

c. Flat 3. 1 bedroom second floor flat with separate kitchen. £550 per calendar month (value £85,000).

d. Flat 4. 1 bedroom second floor flat with separate kitchen. Larger accommodation than Flat 3. £575 per calendar month (value £90,000).

e. Flat 5. 1 bedroom third floor flat with separate kitchen/diner. £550 per calendar month (value £85,000).

f. Flat 6. 1 bedroom third floor flat with separate kitchen/diner. £550 per calendar month (value £85,000).

7. In July 2008 rentals were estimated at £40,200 p.a., with annual borrowing costs amounted to £38,229 p.a. (based on a repayment period of 40 years and an interest rate of 2.55%). This was expected to provide a net annual surplus of some £1,971 p.a.

8. As at 12 August 2019, assuming rentals remain the same, annual borrowing costs on £846,000 are estimated at £37,732 p.a. (based on a repayment period of 40 years and an interest rate of 1.96% - maturity rate on 12 August 2019). This is expected to provide a net annual surplus of £2,468 p.a.

9. If borrowing by an Annuity loan over a period of 40 years the surplus increases to £9,535 p.a. and if over 50 years the surplus would be an estimated £13,242 p.a.

10. There would be future rent reviews that could enhance the surplus given that the borrowing costs would be fixed and likewise there will have been Capital appreciation of the flats, and higher rental rates too. The Council would also benefit from a small amount of Council Tax, and of course the added housing provision itself – desperately needed.

11. It would not be viable to undertake the work and then sell the flats. Likewise once the work is undertaken the value of the property would be reflected in the Council's balance sheet at the market value – which would be less than the amount of Capital expended. This in itself does not impact on the Council tax payer.

12. One alternative option that was raised at Cabinet previously was the option of selling the property at auction and investing the proceeds elsewhere. The advice received from auctioneers, Clive Emson, was that the guide price should be in the region of £80,000 to £90,000 with a reserve of £80,000. As such the benefits of continued ownership of the whole building are considered to outweigh the potential short term benefit of a sale.

13. Given the historically low interest rates there is a period of opportunity to achieve a useful transformation of the building given the particularly high conversion costs associated with a grade 2 listed building.

14. It is currently envisaged that the properties would be leased to the Council's Housing company as the Council could not rent them out itself with implications.

Climate Change Implications

15. The Council is seeking to provide sustainable accommodation, albeit compromises are currently inevitable given the Grade 2 listed building status.

Risk Management Implications

16. There are risks that there could be additional expenditure, beyond the works identified and beyond the contingency established.

17. The Council is looking to undertake this work to provide additional much needed accommodation. It is not envisaged that there will be any problems in renting the properties once completed. However the Capital values may well fluctuate in the coming months given Brexit and future economic uncertainties.

18. Delays could be experienced given the Grade 2 listed building status and the conservation requirements.

Timetable of Next Steps

Action	Key milestone	Due date (provisional)	Responsible
Works contract completed	Instruct Legal to complete works contract	After Cabinet approval	Estates Manager /Legal Services
Conversion works	Start	4-6 weeks after contract completed	Mackellar Schwerdt/Contractor

Wards Affected

Castle

Implications

Relevant project tools applied? Yes/~~No~~

Have you checked this report for plain English and readability? Yes/~~No~~

Climate change implications considered? Yes/~~No~~

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

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

Additional Information

Cabinet reports 3 April 2017 and 2 July 2018.

Part 2 Report - 2 September 2019

Officer to Contact

Peter Grace
pgrace@hastings.gov.uk
01424 451503

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Prepared by

Mackellar Schwerdt Architects
Chartered Architects and CDM Coordinators

For

EXISTING BUILDING PHOTO'S

For

12-13 The York Buildings, Wellington Place, Hastings, East Sussex.

Any queries about this Schedule and Specification should be addressed to

Mackellar Schwerdt LLP:

The Old Library
Albion Street
Lewes
East Sussex
BN7 2ND
Tel: 01273 480608

CONTENTS

12/13 York Buildings, Wellington Place, Hastings
Existing Building Photo's

Note:
The following photographs are only a summary of the condition of building. More photographs are available upon request.

1. EXTERNAL SPACES

Front Elevation – Previously repaired. Maintenance required to eaves/parapet. Windows require decorating.

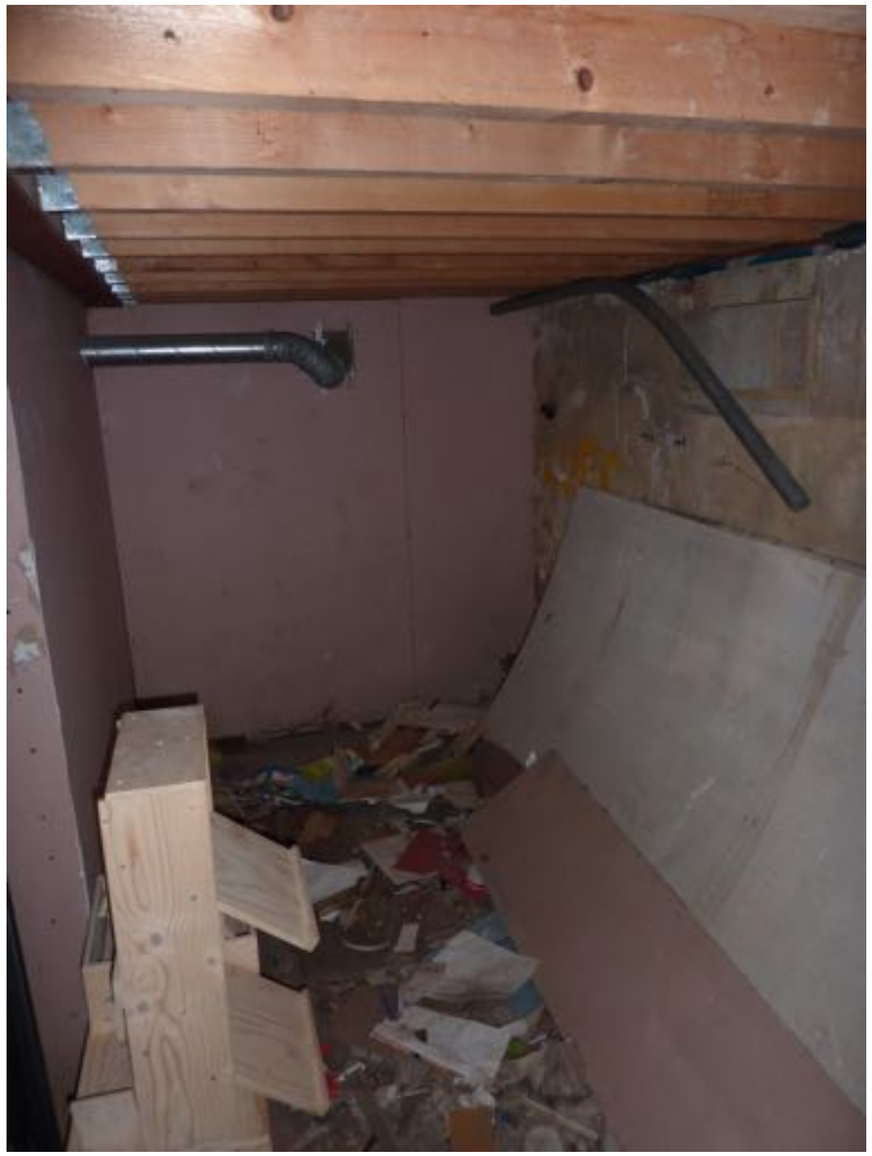
Rear Elevation. Side elevation to be decorated. Access issues!

Main entrance to flats from Wellington Gardens. Window to be restored and entrance doors replaced.

Rear Elevation. Windows to first and second floor

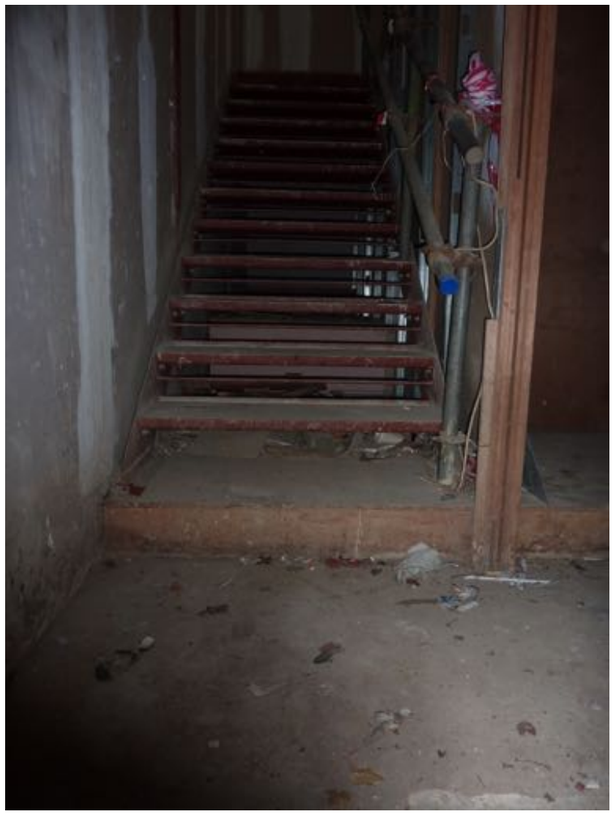
Rear Elevation – Large window to Millets leased areas boarded up from inside. Bay window above.

2. BASEMENT – MILLETS ACCOMMODATION.

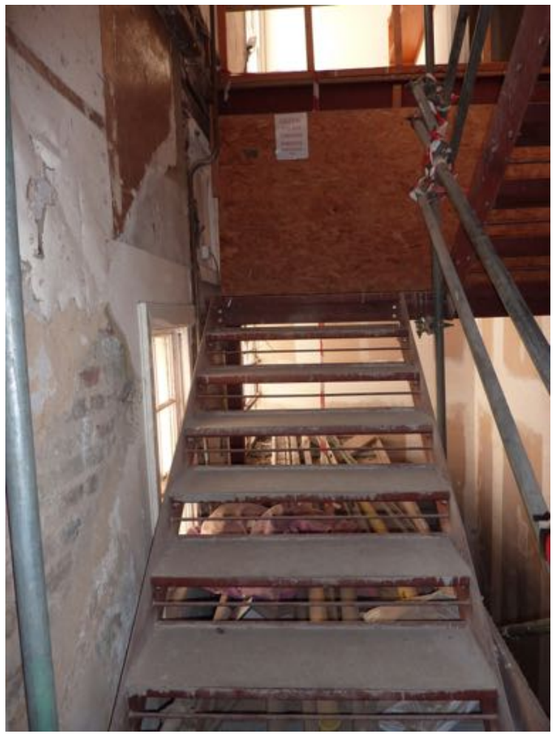
	
Fire escape to rear entrance doors to be maintained.	Area to be converted to storage directly below the rear flat entrance lobby.

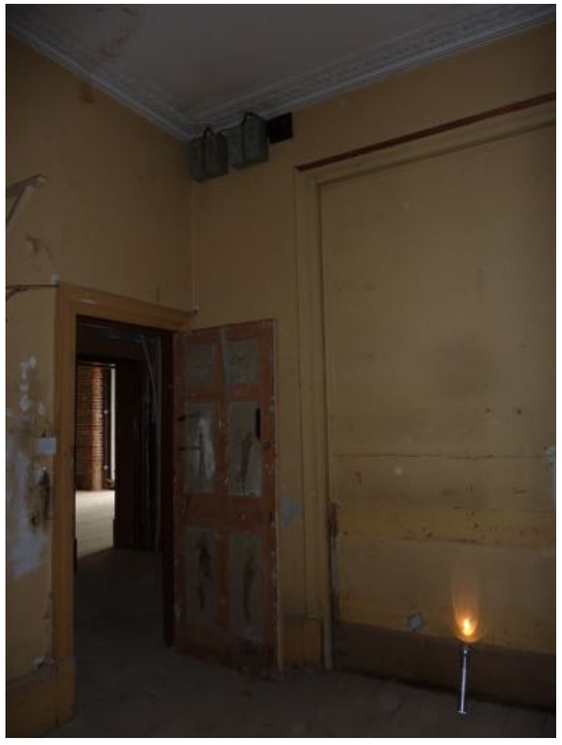
	
Existing partition to entrance lobby to be removed.	Looking up to underside of first floor from the basement! Existing panelling to be removed. Area on the lower ground floor entrance allocated for meters for utility supplies.

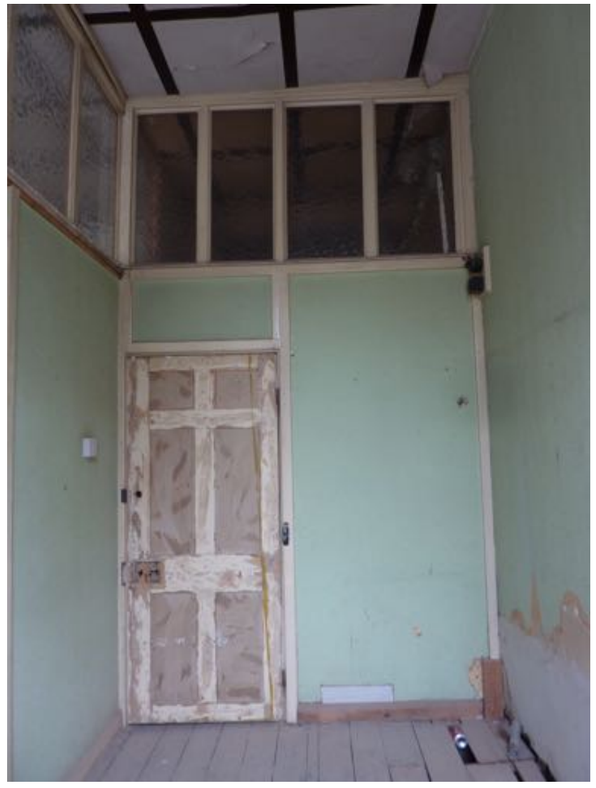
3. LOWER GROUND FLOOR - ENTRANCE AND STAIRCASE

		
Entrance lobby partition to be made good.	Far wall removed and area taken back to existing external walls.	Existing steel stair to be kept and finished. Handrails, balustrading required. To the right – fire exit door from basement.

4. FIRST FLOOR – FLATS 1 AND 2

 		 
Staircase external walls. Finishes to be repaired, lined and finished. Drainage adjusted.	General window repairs required and decorated. Single pane of glass only authorised by the conservation officer. External timber walls lined, and Lime plastered.	Flat 1 Proposed Bedroom areas. New partitions and finishes required. Repairs to walls and finishes.

 		 
Flat 1 Proposed Bedroom areas. New partitions and finishes required. Repairs to walls and finishes	General window repairs required and decorated. Single pane of glass only authorised by the conservation officer. External timber walls lined, and Lime plastered.	Flat 1 bathroom areas. New partitions and finishes required. Repairs to walls and finishes. New flat entrance door to existing opening.

 		
Flat 1 Proposed Lounge. Door through existing partition to proposed kitchen.	Flat 1 proposed Kitchen	Flat 1 Proposed Kitchen.

Flat 2 Proposed Lounge and Kitchen. External walls to be made good. Ceiling made good.

Flat 2 Proposed Lounge and Kitchen

Flat 2 Structural repairs and making good. 60min fire resistance required between floors!

Flat 2 Proposed Bathroom and study areas. Water damage from ceiling is now more extensive with ceiling partially collapsed.

Flat 2 Proposed Bedroom – Fanlight to be opened up and repaired.

Flat 2 Poor finishes. Partitions removed. External walls repaired and re-plastered with lime hair plaster.

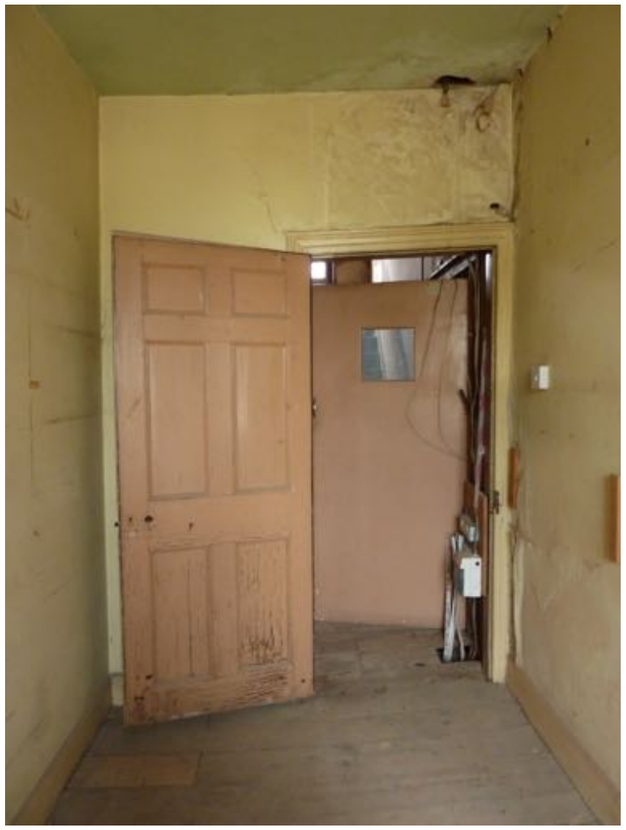
		
Flat 2 Proposed Bathroom looking back on entrance staircase. New partitions required. Small window to left of window shown, currently boarded over, to be opened up.	Area between staircase and flat 2 to be rebuilt. New fire resistant and acoustic partitions.	

5. SECOND FLOOR – FLATS 3 AND 4

Flat 3 Proposed bedroom – External walls to be lined. Finishes made good and decorated. Windows repaired.

Flat 3 Proposed Lounge. Repairs to walls and ceiling.

Flat 3 – Structural repairs to floor required.

 		 
Flat 3 Proposed Kitchen – External walls to be lined. Finishes made good and decorated. Windows repaired. Floor level slopes.	Flat 3 Proposed Kitchen. Door frame sloping due to insufficient structural from roof/third floor.	Flat 4 – Proposed kitchen.

Flat 4 Proposed Lounge – Extensive repairs required to floor and third floor above.

Flat 4 Proposed Lounge. External walls to be repaired and lined

Flat 4 Proposed Lounge. View through to proposed bathroom. New partitions required

 		 \ 
Flat 4 Proposed Bedroom. Water damage to ceiling now more extensive than shown.		Flat 3 and 4 Proposed bathrooms. Existing partitions removed. New party wall installed. External walls to be repaired and lined.

6. THIRD FLOOR – FLATS 5 AND 6

 	 	
Flat 5 Proposed Bedroom. Walls to be repaired and lined. Structural bracing to be removed.	Flat 5 Proposed Bedroom. Ceilings to be repaired.	Flat 5. Asbestos to be removed.

Flat 5 Proposed Bathroom. Existing window to be repaired (or replaced)

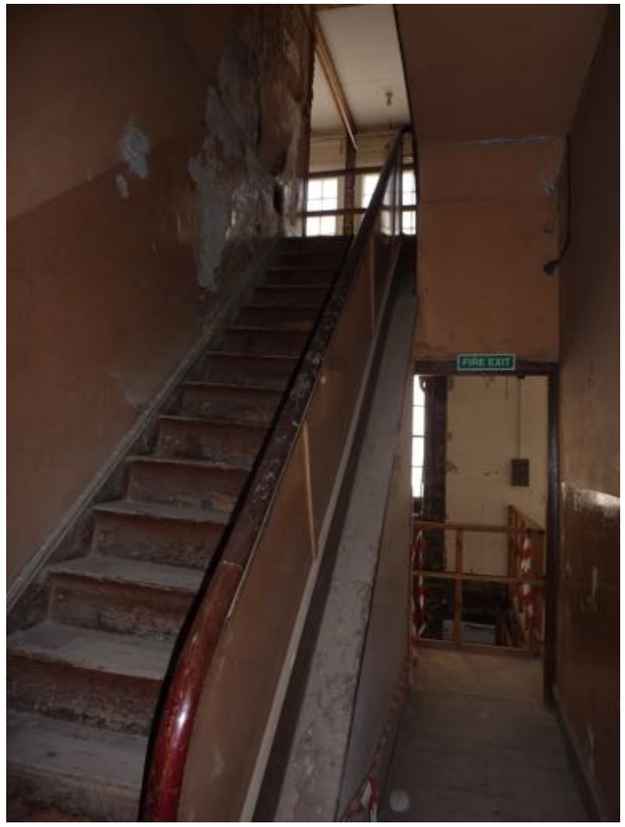
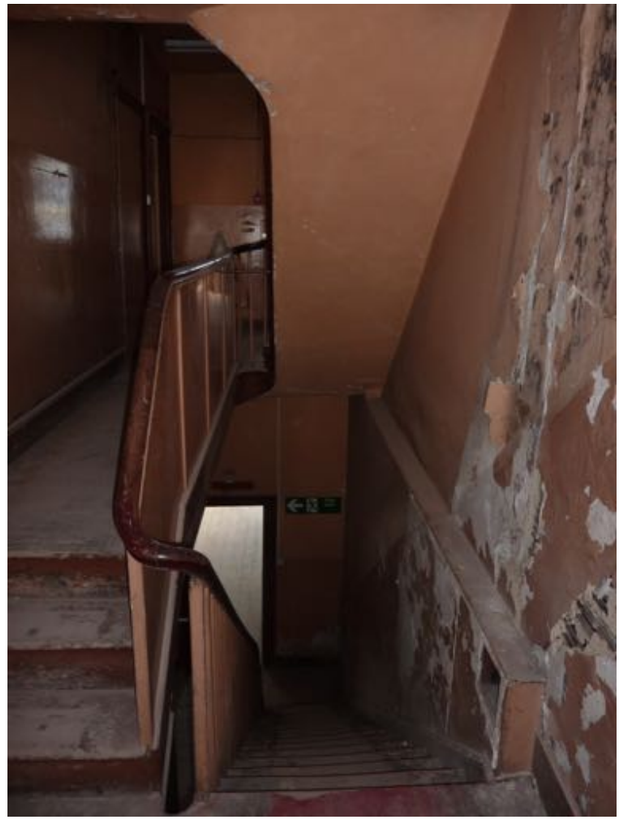
Flat 5 Proposed Lounge. Ceilings/ walls to be repaired.

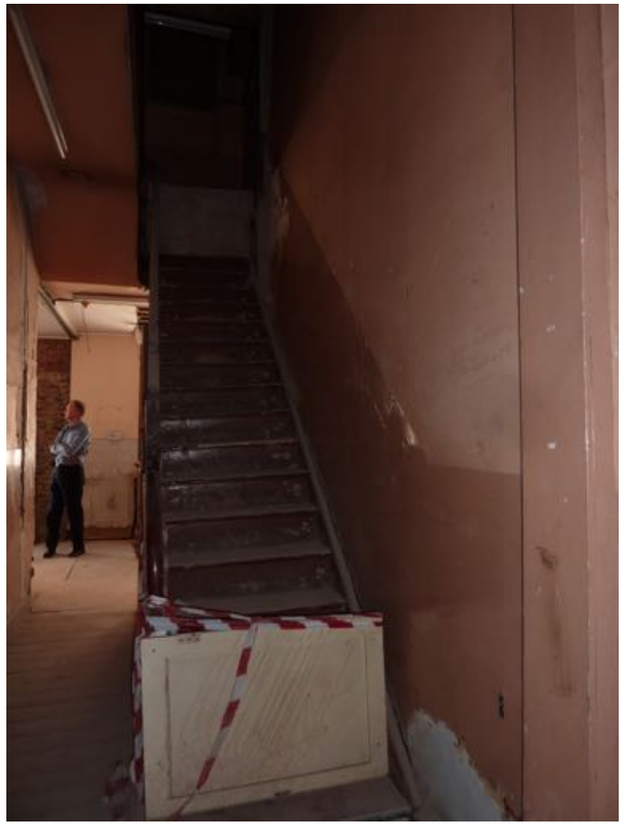
Flat 5 Proposed Lounge.

Flat 5 Proposed Kitchen.	Flat 6 Proposed Kitchen. Ceilings/ walls to be repaired.	Flat 5 Proposed Lounge. Floor levels slope by 200mm across room.

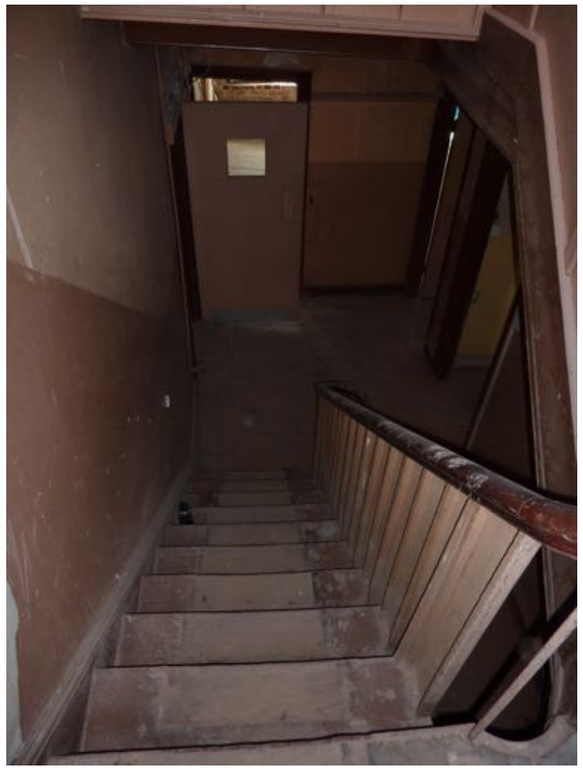
 	 	
Flat 6 Proposed Bathroom. Existing window to be repaired (or replaced)	Flat 6 Proposed Bedroom. Ceilings/ walls to be repaired. Water damage more extensive than shown.	Flat 5 Proposed Lounge.

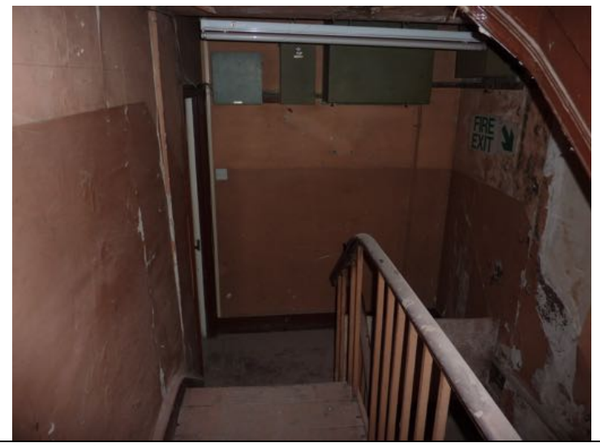
7. COMMON CIRCULATION AREAS

		
Staircase to be enclosed - First floor	Second floor	Third floor



Staircase to be Repaired used as common areas - First floor





Second floor

Third floor – Top landing re-instated to original layout.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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