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Cabinet Agenda

Monday, 10 February 2020 at 6.00 pm

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

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CABINET

6 JANUARY 2020

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

224. APOLOGIES FOR ABSENCE

None

225. DECLARATION OF INTERESTS

None

226. MINUTES OF LAST MEETING

RESOLVED – that the minutes of the cabinet meeting held on 18th December 2019 be approved as a true record.

RESOLVED the chair called over the items on the agenda, all items were discussed at the meeting.

227. BOHEMIA LEISURE AND CULTURAL FACILITIES STUDY

The Director of Operational Services presented a report that updated Cabinet on the Bohemia leisure and cultural facilities options appraisal study. The report makes recommendations for the next steps in the scheme.

The study had been undertaken led by consultants Continuum. They have done a considerable amount of work and have held regular meetings with the relevant officers and lead councillors. They have consulted with a number of stakeholders including leisure and cultural sectors locally, and sport's national governing bodies, operators and local authority neighbours.

The next step is to commission detailed site and topographical surveys of the land. This would be before detailed site and building design works would commence. This would help to de-risk the project before more substantial sums are invested in detailed design work, and will make any development a more attractive proposition for investors/partners.

Councillors discussed the benefits that this would bring to the town's residents. Residents were looking forward to this development and there was a real need for access to high quality activities to improve wellbeing and health within the town. The current leisure facilities are no longer fit for purpose based on the town's needs. Repairing the facilities would actually cost more in the long term.

Councillors were pleased with the proposals but some felt that it was the wrong time to be spending the money given the Councils current financial position.

Councillors spoke about a council that had completed a similar project which produced significant measurable positive effects for these residents including savings for other public bodies such as health services. They believe that this could negate the effects of deprivation within the town.

The proposed works aim to offset the costs. Councillors felt that spending the money for survey work was a good investment in a project that would benefit residents.

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

RESOLVED (7 for, 2 against)
1. To agree in principle to provide a new leisure centre and leisure water, and primary entertainment centre on the Bohemia site, significantly improving on the town's current leisure and cultural offer, with provision for adding an arts centre if capital and revenue funding can be obtained

2. £100 000 be set aside to commission detailed site and topographical surveys of the land, to inform and de-risk the next stage of the work; £35 000 to come from existing budgets, £65 000 to be a 'growth item' funded from general reserves

3. A report be brought back to cabinet in autumn 2020 reporting on the outcome of the site surveys, recommending a location for the new leisure and entertainment centre, with provision for an arts centre, which would also take into account the potential value of investing in housing elsewhere on the site. This would consider alternative models for financing the work, and include a funding/partnership/investment strategy.

Reasons for Recommendation

To ensure that the project can be taken forward in a sensible, cost-effective way.

228. TREASURY MANAGEMENT - MID-YEAR REPORT 2019-20

The Assistant Director Financial Services & Revenues (Chief Finance Officer) presented a report that advises Cabinet of the Treasury Management activities and performance during the current year. It provides the opportunity to review the Treasury Management Strategy and make appropriate recommendations to Council to take account of any issues or concerns that have arisen since approving it in February 2019.

The Assistant Director Financial Services & Revenues discussed how the Council has had good returns on the investments it has made. These have been spread to minimise risk which is standard practice. The Council has borrowed significant amount from the Public Loans Works Board (PWLB) usually for investments in commercial property. The Council are still able to borrow more but the there is a limited maximum amount. Councillors will need to consider this when looking at future borrowing.

Councillors discussed how positive investments had been. They recognised that the Council was borrowing more but wanted the recognition that this is a result of needing to replace lost government funding. The investments had worked for the Council and the income from this has helped to reduce the Councils deficit.

Commercial property that was brought several decades ago was now helping the councils finances and it is hoped that the more recent purchases and investments would have the same effect for the future.

The Assistant Director Financial Services & Revenues added a further recommendation to the report as;

'Cabinet recommends that the report goes to Council and they agree the Mid-Year report.'

Councillor Chowney proposed approval of the recommendations of the report and the meeting. This was seconded by Councillor Lee.

RESOLVED (Unanimously)

1. **Cabinet recommends that the report goes to Council and they agree the Mid-Year report.**

Reasons for Recommendations

The Code of Practice on Treasury Management requires, as a minimum, a mid-year review of the Treasury Management Strategy and performance. This is intended to highlight any areas of concern that have arisen since the original strategy was approved (February 2019). It is a requirement of the Code of Practice that the Mid-year review is considered by Cabinet and full Council.

229. TOWN DEAL

The Assistant Director, Regeneration and Culture presented a report that sets out the purpose of the Town Fund, and both the partnership and work arrangements which need to be put in place to access the Town Fund.
The report seeks both the support for the direction of travel and authority to spend up to £173,029 'capacity' funding in delivering a successful town bid. A Town Board would be set up and its membership would include partners from local businesses and the community. A Town Investment Plan would be developed and a project team would oversee the development and implementation of these plans.

Councillors were supportive of securing this funding. They saw this as an opportunity to help draw down from other funds and that it has the potential to fit in with other schemes.

Councillors were disappointed with the short length of time they have to find members for the Town Board. They would ideally like to reach out to parts for the community that don't traditionally engage with the Council such as those from deprived wards. This looks unlikely to happen but Councillors were kind to support more focussed work within the community. They hoped that any consultation work would focus on gathering views and engaging people from these communities.

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

RESOLVED (Unanimously)

1. **To delegate authority to the Director of Operational Services or his nominee in consultation with the Lead Member for Regeneration and Culture to:**

- **Establish a Town Board and agree its membership with the relevant partners including with local businesses and the community.**
- **To procure services and expertise to develop a Town Investment Plan and agree the Town Deal using the £173,029 awarded by the government to support this initiative.**
- **To establish a project team to oversee the development of the plans and its implementation in conjunction with the County Council and other partners as appropriate.**

Reasons for Recommendations

1. The government recently launched the Towns Fund with the objective of driving the economic regeneration of towns such as Hastings and delivering long term economic and productivity growth. The Towns Fund will provide up to £25 million public investment by central government through the agreement of a Town Deal.

2. There is also the possibility of additional funding which may come from other sources or branches of government and private investment, to support the implementation of a Town Deal. It offers an opportunity for Hastings to address many of the remaining social and economic challenges in the town as a whole.

230. BUCKSHOLE RESERVOIR

The Assistant Director Environment and Place presented a report for cabinet to consider and agree the following:-

- The most appropriate scheme of works to improve the operation of the reservoir in accordance with the relevant statutory requirements.
- The way the project will be managed and delivered, including the appointment of specialist contractors to support the project throughout the design and construction phases.
- The budget for the project.

The Assistant Director Environment and Place discussed the needs for these works and are classed as high risk. There is a statutory requirement to modify the spillway and reduce the water level and the works need to be completed by April 2022.

Councillors were concerned by the large amounts of money needed for this work. The funding settlement from Government does not include a budget for these works. It was recommended and agreed cross party that the LGA would be contacted to seek similar Local Authorities to write to the Environmental agency for additional funding.

Councillor Fitzgerald proposed approval of the recommendations of the report and the meeting. This was seconded by Councillor Evans.

RESOLVED (Unanimously)

1. **Cabinet agrees that the 2 options recommended by Stillwater Associates Ltd in the reports attached at appendices 1 and 2 are the most appropriate way for the council to meet the requirements of the Reservoirs Act 1975.**

2. **Cabinet authorises the Director of Operational Services to work with the East Sussex Procurement Hub, to procure and let a contract to deliver the two options recommended in the reports attached at appendices 1 and 2.**

3. **Cabinet authorises the Director of Operational Services to contract with Stillwater Associates Ltd to provide the main specialist technical support to the council throughout the project, including that referred to in paragraph 18. As well as contracting with any other specialist contractors that may be required.**

4. **Cabinet increases the capital programme budget for Buckshole Reservoir from £71,000 to £837,000 and agrees the revenue implications of an additional £62,775 p.a. as detailed in paragraphs 33 to 36.**

5. **It was agreed cross party that the LGA would be contacted to seek similar Local Authorities to write to the Environmental agency for additional funding.**

Reasons for Recommendations

The works to the reservoir are a mandatory requirement enforced by the Environment Agency, and the council needs to approve a scheme of works to secure compliance with the current statutory guidance.

A specialist approved reservoirs contractor has provided the council with comprehensive reports evaluating the options and recommending those, which they believe, are the most appropriate.

Following discussions between the council's specialist reservoirs inspection contractor and the Environment Agency, the deadline for completing the works is provisionally April 2022.

(The Chair declared the meeting closed at. 7.26 pm)

Report to: **Budget Cabinet**

Date of Meeting: **10 February 2020**

Report Title: **Budget and Corporate Plan consultation response and draft Corporate Plan 2020/24**

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

Key Decision: **Yes**

Classification: **Open**

Purpose of Report

To present the draft corporate plan 2020/24, together with feedback from the public consultation on the draft budget and corporate plan.

Recommendation(s)

1. **That the Cabinet recommends to the Full Council, that the content of the attached documents form the basis of the council's corporate plan 2020/24, subject to the proviso that any significant amendment made to the council's draft budget be reflected in the final corporate plan text.**
2. **That delegated authority be given to the Director of Corporate Services and Governance, after consultation with the Deputy Leader of the Council to make further revisions as is considered necessary to the attached plan prior to publication to reflect decisions made on the council's budget.**
3. **That all those who submitted views as part of the consultation process be thanked for their contributions**

Reasons for Recommendations

The council needs to approve the corporate plan as its statement of Hastings Borough Council's strategic direction, mindful of the views received as part of the public consultation process on the draft corporate plan and associated budget.

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Introduction

1. This report provides a summary of public consultation responses on the draft corporate plan and budget received prior to the publication deadline of this report. (Note the consultation period ends on 7th February)

2. These responses (set out from paragraph 9) reflect the important and valuable contribution the council has received from a cross section of the local community together with follow up responses where appropriate.

3. The views received and response given will assist councillors in their final consideration of, and approval process for the draft corporate plan and budget.

4. Paragraph 23 introduces the corporate plan and sets out the context within which it has been written, and how this document will enable local people to hold the council to account for its performance over the next few years.

5. Please note that the summary budget figures (pages 4/5) in the draft corporate plan are still subject to change, until the budget is agreed by Council on 19th February, any changes will be made under delegated authority in consultation with the deputy leader.

6. Delegated authority is therefore sought to amend the corporate plan where necessary to reflect final figures and associated decisions on the draft budget.

Consultation

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

8. The consultation closes on 07 February. A summary of the responses received so far can be found below. Any further comments received after this report has been published will be submitted to Cabinet separately, after the consultation has closed.

Hastings Area Chamber of Commerce

9. Councillor Chowney attended the chamber meeting on 30 January and presented the draft corporate plan and budget. The following questions were asked:

    Question: Could the model the council uses to purchase commercial property be applied for sustainable social housing thereby ensuring complementary investment to address homelessness and guarantee housing as well as raise income?

    Response: Currently Hastings Borough Council is not a housing provider. However we are looking into this. At present social housing has to be grant funded because of the levels of social rents and this is largely distributed to housing associations. The 'Right to Buy' threatens the potential for future rent if the council became a housing provider, but if these rules change then this may become more feasible. We have our arm's length housing company that was initially set up to build and acquire property. However when the government changed the borrowing rates this intention became less viable. Instead we are purchasing housing for temporary accommodation. If homelessness does improve then this accommodation could be used to generate a future income for the council through rent and sales.

Question: If more houses are built attracting more residents what provisions are there for schools?

Response: Provision of schools is considered through the planning process but it is not something that the council directly influences. National government officials will decide if new school places are required as part of the planning process.

Hastings Youth Council

10. Councillor Forward met the Youth Council at their meeting on the 16th of January in the Council Chamber. The following questions and comments were forthcoming:

Comment: Corporate plan document looks good, like improved design, like how concise it is.

Question: I noticed that Hastings Opportunity Area wasn't mentioned at all in any of this. Is there a reason for this? Could they fund anything?

Response: That is because they are external to the council. One of our officers sits on the board but they don't fund us directly in any way however there may be some partnership work.

Question: I saw Cornwallis Street on one of the slides is getting a lot of funding compared to other parts of the town which seems unfair. Why is this?

Response: This is because we were approached by an organisation that was keen to put a hotel on the site. We are in discussions about this proposal as councillors. We are short of hotel bed space in the town. The site is set out in our local plan as a site for development.

Question: With regard to CCTV monitoring, wouldn't the cost of criminal damage as a result of the loss of this service outweigh the cost that you save by reducing the service. The police are strapped of resource themselves and don't have the capacity to pick up this service.

Response: Yes, we know CCTV is important. We are only proposing to cut our role in monitoring it. The police will still have access to it. We have been talking to the police for a while about our difficulties to continue resourcing this given our financial situation. We don't want to cut anything but have had to look across all our services and have to consider which services would not or could not be picked up anywhere else if we cut them. The fear of the impact of the loss of the CCTV is something we know is a concern to businesses in the town.

Question: Do we have to submit a Freedom of Information request to access the information about the actual jobs that will be cut?

Response: No, the information is available on our website in an Appendix K document which has been separated out.

Staff and Management Forum (SMF)

11. The Staff and Management Forum met with the Deputy Leader and Senior Officers on 23rd January. Following a presentation on the budget and corporate plan, the Leader and officers answered questions which had been raised by staff members via their union representatives.

12. Questions covered details about individual's posts and the processes being followed as part of the formal staff consultation which is undertaken according to employment law and council policy.

13. The SMF/Trade Union confirmed they will be making a formal submission on the broader points (not about specific individual's circumstances) to the Budget and Corporate Plan consultation process for consideration by Councillors at the Budget Cabinet and the subsequent Budget Council.

Local Strategic Partnership (LSP)

14. Cllr Chowney gave a presentation to the LSP as part of their meeting on the 27th of January. The following questions and comments were raised:

Question: What is likely to be the impact on the community of proposed service and staff reductions?

Response: The impact is perhaps less prominent in terms of frontline services than has been the case in previous years when we've had to reduce capacity for community engagement work. There are no plans to close any more toilets at present so we still have 17 of these to maintain. These are often of interest to the community but we will need to continue to review these arrangements. Our proposals for reducing our CCTV monitoring will mean that we would become in line with other similar councils. We accept that proposed service reductions will always have an impact on the community and sometimes this is unknown and this is a key reason why we do these consultation meetings.

Comment: The ceasing of Community Partnerships Funding will have a massive impact on the community.

Response: This funding will be transferred to the Foreshore Trust and future provision will need ever more creative and imaginative ways to do more with less.

Question: What is the impact of new waste arrangements in terms of the budget?

Response: Under previous contractual arrangements for waste the fall in value of recyclable materials meant that the previous contract became unviable. The costs for subsequent waste arrangements became higher. The council took the decision to bring part of the service in house but did so at a time when waste services were becoming more expensive, in part because of the fall in value of recyclable materials. The council remains confident that the benefits of our

Direct Service Organisation (DSO) for street cleansing will outweigh increasing costs that all authorities responsible for waste are experiencing.

Question/comment: Has the council been consulting with the police in terms of its CCTV proposals? Also proposed changes to development control are also very publically visible and impactful.

Response: Managers in development control are confident that service changes and efficiencies can be made while retaining service levels. Officers are trusted to continue to deliver on this basis.

In terms of the police, council officers have been liaising with the police in terms of CCTV costs. In the light of the recent announcement of more police funding there has yet to be any further interest from the police in supporting retaining the existing CCTV service.

Question: What about the remaining workforce left afterwards…how will/might they work with partners and how might this be communicated to the public?

Response: There will be an additional burden on remaining staff at a time when real wages have fallen. There are processes in place to support with transition and redundancy arrangements. The remaining staff cohort will be around 300 having halved in recent years. It is part of the reason why the current leader is choosing to stand down as it is dispiriting to have to constantly make difficult and unpalatable decisions around which services to reduce or stop.

Questions/comment: Cllr Forward thanked for her attendance at the Hastings Community Network meeting. Steps welcomed on mitigating the impact of Community Partnership Funding by transferring this to the Foreshore Trust…What extent might the Town Deal/Fund be able to offset this further…and what scope will there be to shift from capital to revenue funding within the prospective Town Deal arrangements? Also given the continuing uncertainties around Brexit implementation would the council consider a phased reduction to Hate Crime support?

Response: What the Town Deal Board (once agreed) will ultimately decide to do and where to spend in terms of the Towns Fund will not be a council decision. There will need to be a proposal that will ultimately be approved by Government. There will also be the need for clear evidence base for community engagement and consultation. It is agreed that in terms of the Hate Crime work that this is a difficult decision and challenging.

Question: Will the council go below its 6 million reserves and what are the associated impacts and options?

Response: The council is waiting on the outcome of the fair funding review but suspects more monies will go to the upper tier authorities. In terms of going below 6 million, this would be at odds with the advice of the Council' Section 151 Finance officer… If we dipped below this threshold by spending an additional 1 or 2 million this only postpones the problem. Our options are very narrow.

Comment: New Homes Bonus monies should assist with the council's budgetary challenges?

Response: These should be based on achievements in terms of our local plan. Since there are no Greenfield and few Brownfield sites to build on the council is very limited in terms of New Homes Bonus potential than its larger, less urban neighbouring authorities.

Hastings Community Network

15. Councillor Forward attended a meeting of the Hastings Community Network on 23rd January. The following questions and comments were raised:

Comment: A query was raised about some of the questions prepared today being very specific and detailed. If they cannot be answered today what is the process for them being responded to?

Response: They can be submitted by email or in writing as part of the consultation process before the consultation closes on 7 February. Details about this can be found on our website. These comments will be included in the consultation report that will go before Cabinet on 10 February and Full council on 19 February – both of which are public meetings and you are welcome to attend to hear the discussion.

Question: You said in your first slide that Hastings is going to be a green town but how do you reconcile that with the damage you are going to do to the country park by putting solar panels there?

Response: We are still undertaking studies about this, nothing has been decided yet.

Question: About the proposal made at the start of last year for solar arrays in the Country Park Nature Reserve: since then, the Council has commissioned PPS to look also at other options for solar arrays on Council-owned land.

Appendix P: capital programme includes items OS06 and OS10 for Energy - Solar Panels and Energy - Ground mounted solar respectively.

OS06 provides for £1.638m in 2021/22; this would be for "Solar Panels on Council-owned land/buildings".

OS10 has £200k earmarked for 2020/21 for "Ground Mounted Solar". A further £1.9m is allocated for 2021/22

Neither budget head specifically mentions the Country Park. But how would these monies be split between the Park and elsewhere? In both cases the funding source is described as "Council"; we can't tell from the budget papers whether this might include funding from the Public Works Loans Board.

Appendix K2, Item 49 in under the heading "Climate change" makes a provision of £50k a year for the next 3 years "to establish a budget to demonstrate what resources will be applied to meeting Renewable Energy Commitment". We don't understand what this means. What will the £50k actually be spent on? Is it relevant to plans for the Country Park?

The budget also provides for the deletion of an Economic Development Officer. Does this post's deletion have any effect on plans for the Country Park, including the proposal for solar arrays there, given that the Council's plan was motivated by wanting to earn money by selling the energy generated?

Response: The reason the budget Appendix K doesn't split out the funding headlines into specifics of what it will be spent on is that we don't know yet. We are still conducting surveys and talking to Natural England about putting solar panels in the Country Park. We haven't specifically put money aside to spend on solar arrays in the Country Park because we don't yet know for sure that we are going to be doing that. At the minute we are just looking at all of the land and buildings that we own and conducting surveys and investigating whether it is feasible to put solar arrays on them. We were never saying this is definitely what we are going to do, we have always said we have a duty to investigate and properly research which of our land and buildings are suitable for solar. For every proposed site there are separate considerations.

Question: I understand one of the proposals in Appendix K2 about specific posts to be cut is the Youth Council support officer. However there is still a budget line against the Youth Council. Can you clarify the council's plan for how the youth council will continue to function?

Response: Yes you are right. One of the posts proposed to be cut is the one that includes Youth Council support. We are still committed to the Youth Council and to hearing the voice of our young people but we need to look at a different way forward which may include other funding methods. We are looking into ways other partners in the town could help host, work with and support the Youth Council. We will continue to support the Youth Council but it may not operate in exactly the way it does now. Our aim is to make it sustainable with the potential to develop this as conditions change.

Question: We work with the Youth Council a lot and we have the youth voice with our playground work. Our funding has been cut for the adventure playground in Ore that we run. This will make it difficult for us to continue funding the playground and keep it open in the future as a vital service for deprived communities.

Response: I will feed this back as this is clearly important.

Update: The council (in the interim Appendix K2) acknowledges that this will have a disproportionate impact to associated service users, however our financial position means we are unable to continue our support in this way. The council will work with in2play to support looking at alternative funding opportunities, should they wish.

Question: You are spending a lot of money to tackle homelessness on temporary accommodation. Is all the money that the government are giving you to tackle this issue being spent on temporary accommodation?

Response: I will have to come back to you about this. I'm not sure. We are doing everything we can to buy temporary accommodation as it is the best way to tackle homelessness locally. We are also working with developers and housing associations to ensure all new developments include 40% social housing.

Update: In 2020/21, the council will receive a Flexible Homelessness Support Grant and Homelessness Prevention Grant from the government to support people at risk of homelessness and people living in emergency accommodation find a new long term home. The number of people living in emergency accommodation has increased significantly over recent years, and the grants alone are not sufficient to fully cover the council's costs. We are looking at ways of managing our use of emergency accommodation more cost effectively, including expanding our private sector leasing scheme and acquiring our own properties as an alternative to bed and breakfast accommodation. However, increasing the supply of affordable accommodation locally is key to addressing this issue in the long term. The council's new homelessness and rough sleeping strategy gives more information about the work we will be doing with partners to minimise our use of emergency accommodation https://www.hastings.gov.uk/housing/strategies/

Hastings Borough Council recently lead a successful bid, in partnership with the other district and borough councils in East Sussex and the county council, to the Ministry for Housing, Communities and Local Government for a project which will continue to reduce the number of rough sleepers locally.

Question: When the council buy temporary accommodation do they own and manage them? Or do they give them to the housing association?

Response: We own and manage them.

Question: What about New Homes Bonus, why is it down?

Response: We are trying to attract development to the town. We are also doing what we can to buy housing and refit properties we own. We are also working with developers to ensure they produce the highest number of social houses. We don't have the space and resources to build all the homes that the town needs itself though this is the aspiration, we'd love to be in the position to do this.

Question: What about the proposed hotel development at Cornwallis? Why is the council paying £7m for the hotel?

Response: We would build the hotel and own the asset and agree a long-term lease deal to bring in revenue over a long period of time. The development would also help deal with the lack of hotel bed space in the town.

Question: The council has continued to cut community transport. They have cut funding for Dial a Ride it on the grounds it can self-fundraise, but it can't. The people that use community transport can't use taxis like the council suggests. You have ditched them and it isn't a great deal of money. If the government does give the town money can you please consider giving £1000 to community transport?

Response: I realise that some people rely on this transport and I see the service operating around town. I hope they manage to continue to do so.

Question: The council's financial position over the past few years, challenging as it is, has lead to cuts to community organisations. The council has exhausted its reserves and now has to look at opportunities to make income. This has consequences for community organisations. Look at CHART, it was a big lot of money and it seems to have just been spent on council staff and buildings. The two projects so far have been council projects. It seems like community organisations are having to compete with the council for funding. We need to do something about this. I see the Town Fund in the budget and wonder what the council is proposing to do with the £25m and whether there will be any money for community projects?

Response: CHART is not just being spent on council staff and buildings as suggested. The European funding requires significant levels of administration which is very complicated and nuanced. The towns fund is not a guarantee of £25m. At the moment we have been asked to bid for funding. It is a capital led scheme, though we will be pushing for revenue funding.

Update: At the LSP meeting the following Monday a Town Fund Board was set up including key stakeholders in the town, based on government guidance, which sets out who should be on the board and it is understood there will be a large community element.

Question: We need to learn from CLLD with the Town Fund.

Response: The rules for CLLD aren't our own. We have to follow the rules and guidance from the EU. Without these constraints I have confidence that we would have delivered more.

Update: Do make your voice heard about the Town Fund by contacting TownDeal@hastings.gov.uk.

Question: What is the impact of Brexit on the council's planning? The council is cutting funding, on the brink of Brexit, of valuable community schemes and organisations and to community safety, such as cutting the Hate Crime Community service. This seems the wrong time to do it, can this not be done gradually?

Response: The council is exploring ideas of how best to use the money that was allocated to it to prepare for a no deal Brexit. The ending of the transition period in December 2020 may for example require preparation to manage the situation at that time, but we will not know that for many months. We will however keep the situation under review and may respond in the light of new intelligence from the Police/our partners or outreach officers, or if we are given new responsibilities or funding.

Question: Number 28 in the budget appendix, it says future play activity will be targeted closely at deprived communities. This is what we are doing so why is there a proposal to cut our funding?

Response: We will note this and feed it into the consultation.

Question: Lots of people are concerned about the proposed deletion of the Natural Resources manager. That post covers a lot including parks, gardens, countryside and allotments. The deletion of this post comes at a very sensitive time for the council regarding the management of the country park with the opening of the visitors centre and the hidden Hastings heritage project which the natural resources manager oversees as well as working with DEFRA on the high level stewardship scheme. This is quite a big chunk of work in the next financial year. We don't understand yet how all of this work will be handled. Especially as in the revised budget there is increased spending on this area, without a clue about what this increase is for.

Response: About your last point I would have to ask officers and come back to you. I presume that this is just increased operational costs but I will look into and come back to you.

16. Further to the HCN meeting a follow up letter was received with regards to further associated information. A response has been sought from appropriate officers and will be sent to the recipient to be shared with HCN attendees accordingly.

Budget Overview and Scrutiny Committee

17. A meeting of the council's overview and scrutiny committee was held on 23 January, to consider the draft corporate plan and budget.

18. The Committee contributed a range of views, comments and questions on the draft documents and these can be found in the draft minutes of the meeting at the following link:

https://hastings.moderngov.co.uk/documents/g3766/Printed%20minutes%2023rd-Jan-2020%2018.00%20Overview%20and%20Scrutiny%20Committee.pdf?T=1

19. The committee proposed the following text changes to the draft corporate plan and responses are given to each below:

Under the priority heading Tackling Poverty on Pages 10/11, add a new bullet point:

- Ensure that all council services are focused at narrowing the gap between communities most in need and the town as a whole.

Response: Rather than include in the corporate plan as proposed, it is intended to instead include as part of our key criteria against which new ideas and existing areas of work are reviewed. This will happen as part of our proposed work on 'developing our corporate standard,' which will help us plan and review all our work as outlined as a 'key activity' (page 13) in the draft corporate plan. On this basis, the Overview and Scrutiny committee can track progress and call cabinet to account on this key activity.

Under 'Delivering our major regeneration schemes', add to the list, as the first item:

- Focused on transforming life opportunities for those with the greatest need

Response: Regeneration activity should include a strong focus on ensuring how marginalised groups benefit. All schemes whether to create employment, training, education or climate change will need to be assessed in terms of the benefits they will offer directly or indirectly to our poorest communities. The commitment to 'developing our corporate standard' (page 13) in the draft corporate plan will assist in this regard, ensuring that benefits are clearly identified and clarified before schemes commence.

It is proposed that the following wording be included:

Focused directly or indirectly on transforming life opportunities for those with the greatest need

Add to the 'Key Activities during 2020-21 section on Page 11:

- Publish a new Anti-poverty Strategy in partnership with key local agencies

Response: The council does not have the capacity to do this within existing resources at present unless other areas of work to forgo are identified. However we will keep this under review should there be capacity created for both HBC and our partners to achieve this objective in the future perhaps through our LSP or other arrangements then we will do so. There is no indication that other partners are willing or able to participate in designing a new anti-poverty strategy in the broad sense. This has contrasted with close work across the County around issues of welfare benefits and homelessness.

Other Consultation responses

20. The council received consultation responses via the council's consultation e mail address.

21. Some were in specific relation to those proposed staff and service reductions outlined in appendix K2. Other included more general comments, queries and questions. These are outlined and summarised below.

Comments: Some comments were received acknowledging the important support and service the Housing Solutions officer role has supplied to date.

Response: Thanks acknowledged for flagging the positive impact of this service support.

Comment: Staff suggestion made to better raise the profile of our cultural assets.

Response: Draft corporate plan amended.

Question: Clarification sought on the amount of Council tax owed to the Council.

Response: Specific information requested was provided.

Comment: Request to reconsider CCTV proposals to reduce incidents of theft at a local retailer.

Response: Noted and reported.

Comments/ indirect questions: Support for sensible and worthwhile proposals outlined in the draft corporate plan and budget papers and acknowledgement of the associated challenges…In this regard are the new developments proposed realistic and viable or should there be a focus on making the most of existing assets and recent developments? Also could more be made of our museum by promoting the study rooms to students? Should we focus on lobbying for improvements to getting in and out of the town in terms of travel infrastructure?

Response: Noted.

Comment: Two letters of concern relating to proposals to potentially make redundant the Natural Environment and Resources Manager were received from a resident and on behalf of the consortium of contractors at the country park visitor centre.

Response: Comments have been noted and will be considered as part of the consultation process. The revised budget published on 31 January for consideration at the Budget Cabinet on 10 February, no longer includes this post.

Comment: Two letters was received from the Chair of the 'Big Local' and the In2play Director expressing concern at the proposals to withdraw funding to In2Play that contributes to keeping the Adventure Playground open and requesting that this be reinstated.

Response: The council (in the interim Appendix K2) acknowledges that this will have a disproportionate impact to associated service users, however our financial position means we are unable to continue our support in this way.

Draft corporate plan 2020-24

22. The corporate plan sets out the council's strategic direction. The draft corporate plan outlines the challenging financial climate in which the council continues to operate, what we want to achieve in terms of outcomes by 2024, how we will deliver and key activities we will undertake during 2020/21 under each refreshed priority.

23. The plan includes infographics for our borough and the council that set the scene for our new three outcomes and six renewed priorities. By clicking on the infographics you can drill down on each and view how we compare and measure up.

24. Once the draft corporate plan has been approved, further work will be undertaken to firm up performance measures for the year ahead for those key activities under our renewed priorities, so that these become more easily accessible and trackable on our website from the beginning of the new financial year in April 2020.

25. Our performance indicators and performance measures for our key activities during 2020/21 will be agreed in July 2020 once we have analysed year-end performance from 2019/20 and Overview and Scrutiny have had the opportunity to consider the targets to be set in detail.

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Equalities

The draft assessment of equality impacts was included with the draft budget proposals for 2020/21 within Appendix K2. The budget papers elsewhere on this agenda contain an interim refreshed Appendix K2, informed by feedback to date from the consultation process. A further version is likely to be submitted.

Options

No alternative options were considered. Regular performance monitoring is required to ensure the Overview and Scrutiny Committee can undertake its scrutiny function as set out in the Constitution.

Timetable of Next Steps

Action	Key milestone	Due date (provisional)	Responsible
Performance information readied for HBC website	Corporate Plan translated to council website with associated performance information for the year ahead.	1st April	Mark Horan with senior managers and lead councillors
Yearend performance for 2019/20 and associated performance measures finalised for the year ahead.	Cabinet report detail 2019/20 performance and prospective performance indicators for the year ahead.	July	Mark Horan

Wards Affected

All wards

Policy Implications

Reading Ease Score: 49.4
Reading Grade Level: 11.2

Project tools used: Basic scope, SWOT.

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

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If your report contains implications for any of the following you should include a brief paragraph in the main body of your report providing further detail.

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

Additional Information

Appendix A – Draft Corporate Plan 2020/21

Officer to Contact

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

Hastings Borough Council

CORPORATE PLAN

2020-2024

Hastings Borough Council

Our plan for Hastings

Welcome to the corporate plan - it is your plan because it affects everyone who lives and works in Hastings and St Leonards! The corporate plan is one of the council's most important documents, it sets out what we will be doing over the next few years with the money that we have and why we have chosen to focus on what's in the plan.

Our Vision

"Hastings and St Leonards is a happy, welcoming place with a vibrant, unique culture where everyone has their needs met and is supported and encouraged to live their best lives."

Our town will:

✓ be a 'green' town with zero carbon footprint

✓ celebrate diversity, individuality and eccentricity

✓ recognise and meet people's needs

✓ have warm affordable homes for all

✓ ensure good standards of healthcare

✓ provide the best possible education

✓ have rewarding jobs with a decent wage

✓ protect our historic built and natural environment

✓ welcome developments that excite and enrich

✓ be a hub of creativity and culture

We can't do this alone so will continue to work with our partners across all sectors to achieve our vision and promote our town. So that we can work towards our vision we have priorities which we will be concentrating on:

› tackling homelessness, poverty and ensuring quality housing

› keeping Hastings clean and safe

› making the best use of our land and buildings

› minimising our environmental impact

› delivering regeneration for the town

› changing how we work to meet the future

Everything we do will meet one of these priorities which are chosen because our citizens should live safe, happy, healthy, independent lives with the most vulnerable protected. We want our residents to trust us, they are at the heart of everything we do. We will work hard to ensure Hastings remains a great place to live, work, visit and do business in. Finally, we will be responsive to the needs of all our citizens, respect cultural identity, provide equality of opportunity and access to the means to live healthy, fulfilling lives.

Since 2010 our funding from the government has gone down by £9.3m and the demand on our services has increased because cuts to other services leave us trying to fill the gaps. We will continue to make a difference to the lives of our citizens, encourage tourism and support existing businesses and attract new ones, and bring investment to the town but we need to be even more focused on investing what we have in the things that will make the biggest impact. We will continue to develop our strong cultural offer through our museum and other cultural assets.

We are determined to continue delivering the best services possible, constantly updating and improving them to meet the needs of our citizens. We have refreshed our corporate plan to set out this determination under new priority headings. It's a four year plan because we are working on larger projects and programmes now that take a few years to deliver. We are using the resource we have on work that will bring the biggest benefit to the town, its people and businesses. Our plan will be available on our website and updated throughout the year with our progress and performance. We hope you will visit it throughout the year and get in touch if you have any comments or questions.

Kim Forward

Deputy Leader

Hastings financial position

2020-2024

The Challenge

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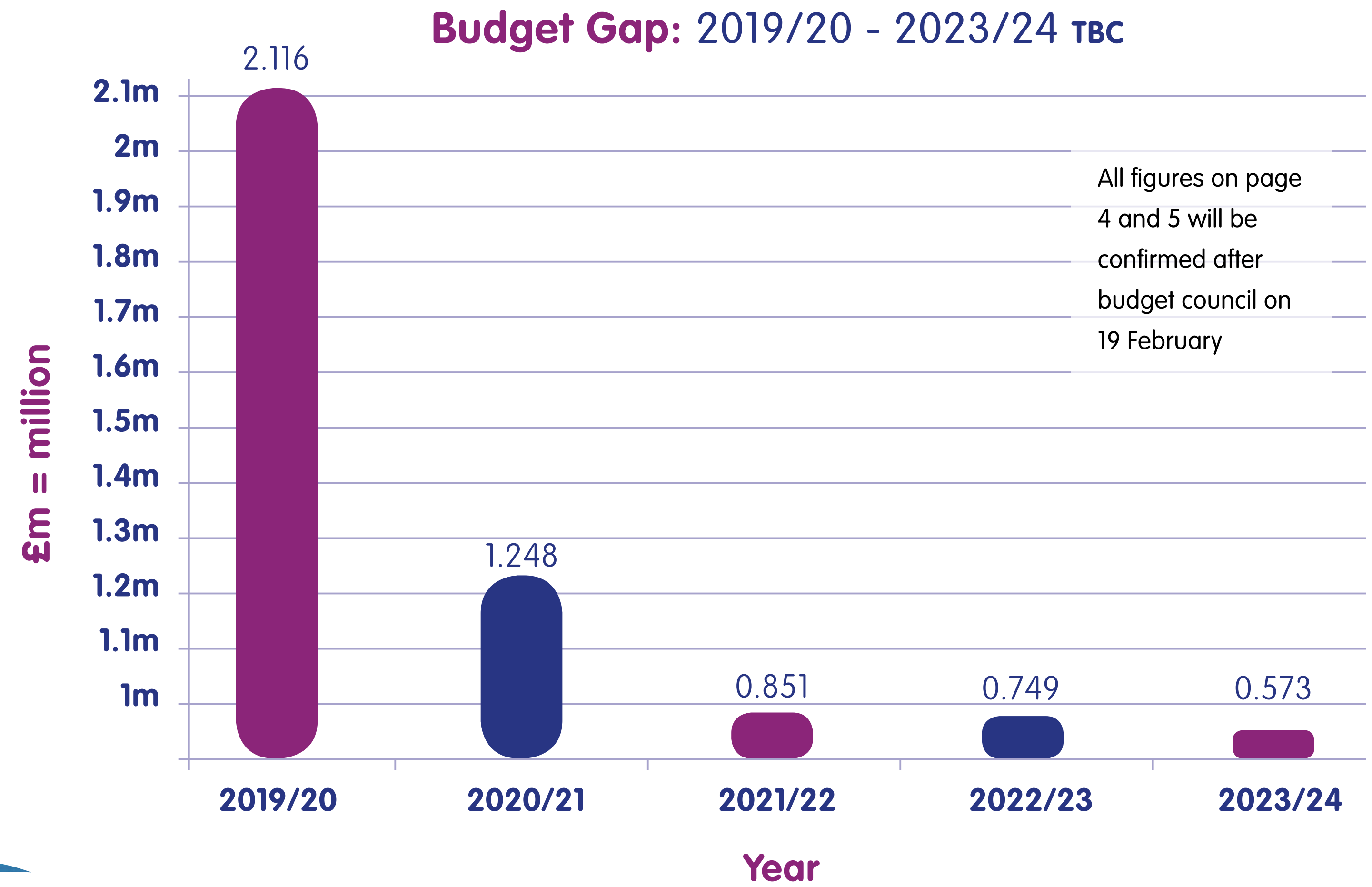
Council funding is decreasing

But demand for services is increasing

7.5m in savings, efficiencies and through income generation since 2015/16



The challenge is set to continue and having already made a significant amount of reductions, the process of finding further savings is getting increasingly more difficult. Our Corporate Plan has been developed alongside our Medium Term Financial Strategy (MTFS) so that our investment and resources are focused on the areas that matter most

Our Borough

Km of roads
270

Coastline
8 miles

Average age
42.6

Crimes per 1000 people
99.4/1,000

Arts & culture
3 NPO's
7 museums
4 theatres/ music venues

School progress and attainment
51%

Life expectancy
76/81

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Average income
£407 per week

Parks and open spaces
690
Hectares maintained

Population
92,855

Private rented housing
28.8%

Libraries
6

Household waste in tonnage
326kg per week

Owner occupied housing
55.2%

Residents in social housing
14.5%

BME population
10%

No. of businesses
2,765

Housing need (no. on register)
1,340

Total visits
3.73m

Homelessness
260 per week

% of people working age claiming job seekers or universal credit
4.6%

Leisure & Sport Centres
3

Multiple indices of deprivation rank
16 out of 53
neighbourhoods in the most deprived 10% nationally

More information about these stats and how we compare can be found on our website at **hastings.gov.uk/my-council/corp-plan/**

Hastings Borough Council

Your Council

Penalty Charge Notices issued
3,593

Number of Factory Units
100

People self-serving online
65%

Annual budget (2019/20)
15m

Local Electorate
64,206

Dustbins Emptied (Bin Equivalents)
3,282,074

Museum visitors
45,604

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Food Hygiene and Health & Safety Inspections
539

Website pageviews
2.24m

Licences Issued
1,634

Car Parking Spaces (Off-Street)
2,153

Burials & Cremations
1,627

Council tax collected in year (2018/19)
94.5%

Building Regulation Applications
215

Planning Applications
1,003

Value of funding from external grants
£3.7m

Recycling tonnage
9,500

Rental Income from Factory Units
£1,567,089

No. of apprenticeships
11

No. of staff
336

Local Land Charges (full searches only)
975

Stade Saturdays (2019): 5 events
1,432 attended

East & West Hill Cliff Railway users
201,105

Website visitors
447,700

Km of streets cleaned within the Borough
270

More information about these stats and how we compare can be found on our website at **hastings.gov.uk/my-council/corp-plan/**

Corporate Plan 2020-2024

What we want to achieve

The following three outcomes set out intentions for our citizens and town. The six priorities listed and how we will deliver these will be monitored and reviewed quarterly. You can track our progress here.

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Outcome

Our citizens live safe happy healthy independent lives with the most vulnerable protected

Outcome

A council fit for the future that our citizens trust because we place them at the centre of all we do

Outcome

A pleasant well maintained borough that we protect and invest in

Priorities

Tackling poverty, homelessness and ensuring quality housing

How we will deliver this:

- Collecting tax and delivering benefits to those in need as best we can
- Implementing our housing strategy and action plan to meet our statutory duty
- Increasing our supply of temporary accommodation to reduce emergency accommodation costs
- Managing the provision of disabled facilities grants and enforcing mandatory licensing of rented accommodation
- By maximising the delivery of new homes through the planning system, development of our limited land and property assets and partnerships with housing providers

Keeping Hastings clean and safe

How we will deliver this:

- Improving 'streetscene' through the council's new in-house street cleansing service
- Working with the council's new refuse and recycling contractor (BIFFA), to ensure they provide a good household refuse and recycling service
- Working with partners and licensees to improve community safety and promote good and safe standards within pubs and clubs
- Working with the proprietors of food premises such as restaurants and take-aways to promote good standards of hygiene and safety

Make best use of our land, buildings, public realm and cultural assets

How we will deliver this:

- Ensuring public assets the council is responsible for remain safe, secure and fit for purpose e.g. our cliffs and reservoir
- Maximising return on investment on these assets through rents, sales, maintenance and development
- Ensuring our planning service and policies create better places to live, work and invest, while protecting and enhancing the borough

Minimising environment and climate harm in all that we do

How we will deliver this:

- Ensuring our services, buildings, land and development schemes are as energy and waste efficient and carbon neutral as possible
- Generating income and offsetting carbon emissions through solar and wind power on our buildings and land where feasible
- Championing plans to make our borough carbon neutral and energy self sufficient on our website, so that you can get involved and track progress

Delivery of our major regeneration schemes

How we will deliver this:

- Securing appropriate funding opportunities in partnership, to enable schemes the council and its partners may not otherwise afford to do
- Making sure our major regeneration schemes are:
  - Focused directly or indirectly on transforming life opportunities for those with the greatest need
  - Prioritised based on citizen benefit, value for money and our climate change commitments
  - Income generating, where monies can be ploughed back or schemes directly support our most vulnerable citizens.
  - Complementary to those regulatory services the council must provide

Ensuring the council can survive and thrive into the future

How we will deliver this:

- Balancing our budget and continuing to review and improve what we do and how we do it
- Reshaping our staff structures to make sure they best meet the needs of our citizens
- Enabling citizens better access to services online by design and using their feedback and data to help us make our services the best they can be
- Enhancing our website so citizens can track what we do, hold us to account, contribute to and be clear on the direction of travel for the town

Key activities during 2020/21

These are some of the key areas of work that we'll be doing under each of the six new priorities for the year ahead.

Tackling poverty, homelessness and ensuring quality housing

- Review our council tax reduction scheme for 2020/21 by November 2020
- Implement new self-service modules for revenues and benefits by October 2020
- Achieve key performance and collection targets in respect of Benefit processing times and collection rates for council tax & business rates
- Aim to build 192 new homes at Bulverhythe
- Acquire 15 and lease 36 units of temporary accommodation to reduce spend on emergency accommodation
- Lead work with partners to bring down costs and help transition those in need of temporary and emergency accommodation into more suitable alternatives
- Regulate the quality and supply of housing in the town through a new licensing scheme
- Make sure homes are adapted and made fit for the future where we have power and resources to do so

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Keeping Hastings clean and safe

Enhance our existing enforcement, contractual and street cleansing arrangements by:

- Expanding the garden waste service that we offer
- Rigorous ongoing performance management of our waste contract and street cleansing service
- Delivering a full strength warden service to tackle anti-social behaviour and enviro crime
- Ensuring statutory delivery of our licensing and environmental health commitments

Making best use of our land, buildings, public realm and cultural assets

- Bring forward improvements to the delivery of our grounds maintenance arrangements
- Undertake essential repairs and maintenance on Buckshole reservoir and increase safety standards in the face of climate change
- Complete our Visitor Centre at Hastings Country Park
- Continue to develop the museum as a hub to support the borough's cultural offer
- Update our Local Plan with our citizens and partners, setting out how the borough will shape up for the future
- Develop and realise our investment portfolio e.g. New Aldi open on Bexhill Road

Minimising environment and climate harm in all that we do

- Introduce and begin delivering a new climate change strategy and action plan
- Lead and work with citizens and partners toward zero carbon emissions
- Implement our sustainable procurement policy
- Review our services to look at how we can run them in an environmentally friendly way
- Moving to paperless parking permits

Delivery of our major regeneration schemes

- Deliver the Towns Fund
- Deliver year 2 of the Connecting Hastings and Rother Together programme
- Progress with plans for the development of West Marina
- Progress with plans for the development of Bohemia

Ensuring the council can survive and thrive into the future

- Restructure how we'll deliver services to meet our budgetary challenges
- Develop our corporate standard setting out how we plan, do and review so that citizens, councillors, staff and partners can track our progress and increasingly hold us to account
- Conclude our digital first programme so that citizens can access the bulk of our services online
- Lead on and develop a new town wide narrative and plan, plugging the gaps with partners where HBC can no longer afford to deliver directly

Our approach

In order to deliver what we want to achieve over the next four years for Hastings we will be working hard to make sure that taxpayers money stretches as far as possible. For this to happen we will:

Decision making and responsibility

- Make decisions effectively and efficiently
- Take responsibility for what we do and how well we do it by making it easy for our citizens to track our progress and performance
- Ensure our decisions reflect best practice, are data driven, transparent and take account of equality, diversity and environmental impact
- Put the needs of our citizens at the heart of how we make decisions

Planning and prioritising

- Plan out the work we will do, who will do it and how to ensure we use the financial and human resource that we have
- Prioritise our work so that the things that we must do are done and that we invest the other resource we have on what will best deliver the best outcomes for our citizens in line with our priorities
- Plan for the future of the council so we continue to be able to deliver the best standard of service to our citizens

Analysing and reviewing

- Use data to inform and improve how we deliver our services to citizens and how we work
- Review what we have done well and what we could have done better so that we continually learn and develop
- Make analysis a fundamental part of how we make decisions and what we do and in what order with a focus on benefits to our citizens

Collaborative working and effective management

- Use effective programme and project management to prioritise how we use our limited staff and financial resources and to manage risks
- Ensure that what we do is inclusive and that our services are accessible to all
- Work closely with partners to deliver services as effectively and efficiently as possible, with the best possible outcomes for our citizens

Hastings Borough Council

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Agenda Item 5

Report To: **Cabinet**

Date of Meeting: **10 February 2020**

Report Title: Revenue Budgets 2019/20 (Revised) and 2020/21, plus Capital Programme 2020/21 to 2022/23

Report By: **Peter Grace**

Chief Finance Officer

Key Decision: **Yes**

Classification: **Open**

Purpose of Report

1. This report presents the revised revenue budget for 2019/20 and a budget for 2020/21. The revised budget for 2019/20 takes account of the known variations to expenditure and income streams that have occurred since setting the budget in February 2019.

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

3. In setting the budget for 2020/21, recognition has to be taken of the potential ongoing reductions in external funding and the uncertainties that exist for the years ahead in the absence of the Spending Review last year.

4. The report identifies that a balanced budget can be achieved in 2020/21 although this involves using £1.152m of reserves. The forecast deficit for 2021/22 is some £767,000, in 2022/23 it is estimated at £666,000, and in 2023/24 it is estimated at £493,000.

5. The alignment of the Council's available resources to its priorities requires further and immediate attention to achieve a sustainable budget in the years ahead. Financial rules and operating procedures need to be strengthened in some areas and strictly followed to ensure that the full Council is in full control of the reducing financial resources.

6. The Cabinet meeting on the 10 February is a key part of the budget setting process. The full Council meeting on the 19 February 2020 is responsible for setting a balanced budget and determining the Council Tax. Whilst significant savings of £1,824,000 have been identified for 2020/21, involving the loss of 25.7 full time equivalent jobs, there are unavoidable increases in costs that result in further use of the Council’s fast diminishing reserves – £1,152,000 of reserves being required. If the recommendations in the report are approved by Council there will be an increase in the Borough’s part of the Council Tax in 2020/21 of 1.99%.

7. Please note that the final grant settlement figures from government have not yet been received. Likewise not all the other grant figures will be received before determining the budget. As such some figures will remain as estimates and adjustments will be made to the figures detailed in this report e.g. figures for Disabled Facility Grants are not expected until well into 2020/21. Precept figures will be updated following receipt of the final figures from the Police and Crime Commissioner, the Fire Authority and East Sussex County Council (figures shown are purely indicative).

Recommendation(s)

Cabinet recommends that full Council:-

(i) Approve the revised revenue budget for 2019/20 (Appendix A).

(ii) Approve the draft 2020/21 revenue budget (Appendix A)

(iii) Approve a 1.99% increase in the Borough Council's part of the Council Tax.

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

(v) Approve the Capital Programme 2019/20 (revised) to 2022/23 (Appendix P).

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

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

(viii) Approve the transfer of £500,000 from the General Reserve to the Redundancy Reserve to meet future costs.

(ix) Agree that authority be granted to enter into a Funding agreement/ Memorandum of Understanding with the government (BEIS) on Minimum Energy Efficiency enforcement subject to no adverse grant terms, and that the necessary authority is granted for expenditure up to the level of funding received (£48,600 for 2019/20).

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

(xi) Agree that where a Capital scheme involves a net increase in overall costs to the Council, or where any guarantee is to be provided which does, or could, incur costs for the Council, such decisions are now made by full Council.

(xii) Agree that, with immediate effect no Council properties or land be disposed of, either by sale or long leasehold, at less than market value without further express approval by Full Council.

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

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

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

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

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

(xviii) Full Council adopt the existing Council Tax Support scheme subject to amendments to allowances in line with national changes. Determination of the allowances to be delegated to the Chief Finance Officer in line with prior year practice.

Reasons for Recommendations

1. The Council must by law set a balanced budget. It will have used most of its Transition Reserves to fund 2019/20 expenditure and hence must identify significant savings for 2020/21 in order to achieve a balanced budget. The redundancy provision and Redundancy Reserve will be fully exhausted.

2. Despite identifying PIER savings of £1,824,000 (£1,460,000 during this year's PIER process) these are insufficient to balance the budget in 2020/21 without the use of General and other reserves. Further service cuts need to be made throughout the year to achieve an ongoing sustainable budget and further redundancy costs can be expected.

3. Under resourcing looks set to continue in 2020/21 and beyond and this impacts heavily upon the Council's ability to provide services or grants across all areas of existing activity in future years. A major overhaul of the funding mechanism along with the Government's Spending Review, postponed until 2020/21 continues to provide considerable uncertainty on funding for 2021/22 and beyond.

4. The Council needs to be in a position to match its available resources to its priorities across the medium term and to maintain sufficient reserves and capacity to deal with potentially large and unexpected events in addition to fluctuations in income and expenditure levels. In the light of increased in–year spend on temporary accommodation (estimated at some £380,000 above budget) this requires a much greater degree of service cuts elsewhere and spend within housing areas must be reprioritised. It remains a possibility that additional funding may be received to mitigate these new burden costs, but details may not be known before the budget.

5. The Council is now exposed to a much greater degree of volatility in terms of its income from Non Domestic Rates and expenditure in terms of Council Tax Support claims – the

cost falling directly on the Council and the preceptors. The potential downside risks of Brexit and the increased reliance on income streams provide greater volatility to the Council's funding.

6. The Council has had enormous budget cuts every year since 2010, but work will need to continue to identify and make savings in order to continue to produce balanced budgets for future years – with consequential impacts on service provision.

Introduction

1. The Council continues to find itself in a very challenging financial period that is anticipated to extend beyond 2023/24. 2021/22 sees wholesale changes in the way in which local authorities are funded. There appears to be no easing of austerity for councils like ours.

2. The Council when setting the budget in February 2019 forecast that there would be a deficit in 2019/20 of some £1,747,000, and £2,436,000 in 2020/21. A balanced budget for 2019/20 being achieved by using significant amounts of the Council's reserves.

3. Whilst the Council has identified savings of some £1,824,000 for 2020/21, it is also incurring additional expenditure and reductions in some income streams. For example the full year effect of last year's increase in waste and street cleaning costs, along with the loss of recycling credits – similar additional costs being incurred by neighbouring Councils. Temporary accommodation costs have continued to increase dramatically throughout the year and are estimated to be approaching some £380,000 above the existing 2019/20 budget once borrowing costs for purchasing new temporary accommodation are included. The Council is investing some £5.766m in purchasing temporary accommodation within the town to mitigate the impact of the higher private sector costs currently being incurred. Some redirection of Flexible Homeless Support grant is occurring to offset these costs.

4. The deficit now forecast for **2019/20** is some £1,798,000. This figure includes redundancy costs which will be funded from revenue budgets, the redundancy reserve and also the General Reserve (as the Redundancy Reserve is insufficient). The direct costs and Pension Strain costs are estimated at £1.046million – depending upon which staff leave.

5. For **2020/21** following extensive service transformation work, service reviews and reductions, initiatives to generate additional income, as well as some budget growth, the deficit is estimated at some £1,152,000 if all savings identified and growth areas in the report are accepted. The level of risk within the budget and uncertainty within the forecasts has increased – particularly the uncertainties surrounding Brexit, business rate income, wage inflation (settlement unknown for 2020/21), and significantly higher demands on services.

6. During the year the Council commissioned the Local Government Association to undertaken a Decision Making Accountability (DMA) review, to review where and how decisions are made and the level of management required. The result being options for the Council to consider on management layers and accountability, and ideas for groupings of services to provide greater capacity. The unplanned general election has meant that time was not available before this draft budget had to be published to consider the findings and come to conclusions about the future structure of the council. However a number of senior management posts have been identified as part of the budget proposals, including two from the senior team. It is expected that there may be further reductions identified as a formal senior management restructure is undertaken over the next few months.

7. The Fair Funding Review (the level and distribution of the monies between Councils) was postponed until 2020/21. Uncertainty remains about the promised introduction of the 75%

retention of business rates (now postponed to April 2021).The ending of the New Homes Bonus Scheme and what will replace it, if anything, provides more uncertainty. 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.

8. **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 itself, or underwrite, the major redevelopment initiatives that remain so important for the town. Going forward the council can only sustain new initiatives where it can resource these in financial and human terms. Priority should be given to redevelopment initiatives which:-**

   - **Produce income or are self sustaining**
   - **Can attract substantial external funding**
   - **Deliver key desired outputs on climate change, housing and economic growth**
   - **Address legal obligations**
   - **Can be demonstrated as viable and deliverable**

   This makes it critical that future potential programmes like the Town Deal are effectively co-ordinated with the use of land and resources by the council and its partners. The Council will need to continue to fund staff and other costs against programmes like this in order to maintain current staffing levels.

9. **The Council must now seriously consider postponing all but the most important new initiatives and seek to preserve any remaining reserves until there is some clarity on funding and the ability to achieve a sustainable budget. The Council to concentrate on reviewing existing budgets and service provision, delivering those projects that produce income or have significant health and safety or climate change implications, and deliver those regeneration and economic development schemes that have significant funding attached.**

10. **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.**

11. **In terms of forward planning, even if the Council identifies sufficient savings to achieve a sustainable budget on current assumptions, until 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. This Council needs to prepare for such a scenario.**

12. The Council's external auditors have in the past commended the Council on its approach to financial management and its approach to maintaining and enhancing reserves whenever possible. This approach has helped the Council in its transition to date. However, the Council must now further prioritise its limited resources, at least for a while, on areas that generate or will generate additional income or where costs can be reduced or activities cut or postponed. Regrettably this involves making staff reductions along with others being redirected to other priorities.

13. Whilst funding and increased demand is of overriding concern, there are many positives in terms of what the Council can and does achieve. The council's existing programmes would be regarded as ambitious in many places. Currently a new hotel in Cornwallis Street, Harold Place development, units at Churchfields Industrial Estate, the town's Lower Tier and West Marina development are potentially valuable regeneration schemes. However given the town's economic and social position the council needs to stimulate economic growth and the provision of new housing. Using the revision of the Borough Plan and the opportunity the Towns Fund affords (£25m for Hastings – subject to successful application) it is critical to establish an attractive framework to encourage investment and ensure the Council's resources are effectively focused in partnership with others.

14. The council and its partners are awaiting a review of the Hastings and Rother regeneration programmes before identifying new priorities. It is possible this will expose the need for increased revenue funding. This will pose a key challenge and the Council will need to argue with government that revenue investment needs to accompany capital investment if regeneration is to generate good rates of economic and social return.

15. The importance of retaining reserves is becoming ever more apparent. The uncertainties surrounding future funding, the difficulties in achieving savings and the ability to meet unexpected increases in demand. The massive increase in Temporary Accommodation costs that the council is now experiencing has been possible largely because the Council has retained sufficient reserves.

16. There have been a few amendments to the budget figures from that published at the consultation stage as a result of government notifications being received. These include additional funding for Housing Benefit Administration grant (An £8,743 increase) rather than a projected decrease. New burdens funding in respect of universal Credit and managing Discretionary Housing Payments of some £55,000 in 2020/21 will again be received. A number of amendments to staffing have been made – please see revised Appendix K . The overall impact of the amendments made within the budget is to reduce the projected deficit in 2019/20 by £318,000 (once amendments to redundancy costs are included) and by £96,000 in 2020/21.

Strategic Priorities

17. The Council's strategic priorities have been reviewed for 2020/21 in the light of the continuing challenges that the Council and the community face particularly in the light of the reduced funding levels and the climate change emergency. A revised Corporate Plan is due to be considered by Budget Cabinet and Budget Council along with this budget report.

18. The priorities are:

    - Tackling poverty, homelessness and ensuring quality housing
    - Keeping Hastings clean and safe
    - Making best use of our buildings, land and public realm assets
    - Minimising environment and climate harm in all that we do
    - Delivery of our major regeneration schemes
    - Ensuring the council can survive and thrive into the future

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

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

Financial Planning - Medium Term Financial Strategy

21. The Medium Term Financial Strategy, approved in September 2019, provided indicative budget forecasts for the 5 year period 2019/20 to 2023/24. These have been updated within the budget papers attached.

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

23. 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.

(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 were built up over a number of years and specifically identified to ease the transition to a lower spending Council and to meet key corporate priorities. These are now all but exhausted. 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. The useable earmarked reserves are reducing rapidly and this will impact significantly on Council priorities in future years e.g. funding of Renewal and Repair programmes.

(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 report produced by the Council's external auditors on the 2018/19 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.

24. The level of risk that the Council is facing from fluctuations in income streams has increased significantly particularly where there is reliance on commercial property income. This is recognised by the government and Chartered Institute of Public Finance Accountants (CIPFA) resulting in new codes of practice and government regulations. These have been introduced to help ensure that councils do not over extend themselves in this challenging environment. Key new prudential indicators are included in the Treasury Management Strategy, which include, for example, limitations on the use of reserves to temporarily fund capital expenditure, limitations on the gearing of the local authority i.e. total debt compared to total assets and limitations on the level of reserves that are not held in cash or cash equivalents. Additional guidance was received in November 2019 from CIPFA – "Prudential Property Investment".

The Key Factors Impacting on the Budget

Spending Review, Fair Funding Review & Business Rates Retention

25. The government's 2019 Spending Review was delayed for a year to 2020/21. It is expected to determine the future funding for local government levels for a four year period (but could be less). The Fair Funding Review will determine the split of available funding between authorities for 2021/22 onwards.

26. Also in 2021/22 the government are changing the funding methodology for local authorities. This will see the end of direct government grant (Revenue Support Grant) for those still receiving it and a move to increased funding from business rates retention (75% retention – up from the current 50% level). This originally being to help meet the commitment given to local authorities for more control over the money they raise locally.

27. 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. Transitional measures are expected to assist those losing funding.

28. It is clear from the government's forward spending plans, at the time of writing, 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.

Funding from Business Rates

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

30. The business rate, itself, is set by the government with regard to the change in the Retail Prices Index. The proportion retained in Hastings would with 50% retention be 40% to Hastings BC, 9% to ESCC, and 1% to the Fire and Rescue Authority. The remaining 50% collected by the Council goes to the Government.

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

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

33. The existing 50% central government share is distributed through the annual local government settlement process – thus enabling the government to control the overall amount received by local authorities. Where there is disproportionate growth this will be used to provide a safety net for those authorities experiencing little or negative growth and allow the treasury to top slice business rates income. A reset mechanism is in place with the first reset now in 2021/22 (overtaken with the Fair Funding review). The system, the calculations required, accounting treatments, and particularly the budgeting requirements are not straightforward.

34. 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)

35. 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 achieved Pilot status, whereby the 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 will apply from 2021/22 onwards.

36. The pilot for 2019/20 is under evaluation but appears successful. However, the government announced that no applications for a similar pilot would be sought for 2020/21and hence Councils have reverted to submitting an application for a 50% pooling arrangement once more. Whilst the funding will be reduced from 2019/20 levels it will still be higher than if no pool existed. The application has been successful but is will not provide significant income in 2020/21 for the Council as overall rateable values have fallen in the borough following appeals in particular.

37. The benefit to East Sussex as a whole is that more of the business rate growth is retained in the county – rather than being paid to the government in the form of a 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.

Business Rates Income – 2020/21

38. The government after determining the business rates baseline levels back in 2013 included small business rate relief within its own budget proposals - this effectively reduced Councils' income. The government is reimbursing authorities for this and other changes it has made over the years.

39. Last year the government announced in the 2018 budget a new business rates retail discount scheme. The scheme applies to occupied retail properties with a rateable value below £51,000 in each of the years 2019/20 and 2020/21. The value of the discount is 1/3 of the bill and is applied after mandatory and discretionary reliefs are applied. The relief is for a short period only – ending after 2020/21. As a result, the level of rates that the Council will actually collect will decrease by some £660,000, of which the Council's share is assessed at some £290,000. This sum is reimbursed by Section 31 grant monies from the government. The government announced an increase in the percentage to 50% and the extension of the relief to include cinemas and pubs (details awaited).

40. The directly paid income in respect of rates is now estimated to amount to some £1,536,715 for Hastings in 2019/20. The amount for 2020/21 cannot yet be calculated.

41. The rateable value (RV) of business properties at the start of the 2020/21 year is forecast to be some £62.55m (some £201,000 lower than 2019/20). 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.

42. 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% (reducing to 40% in 2020/21 - some £8.46m in 2020/21). 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 £5,667,405 in 2020/21. The estimate of the business rate income collected that will be

retained by the Council in 2020/21 as a result of entering into the Business rate pool amounts to £2,771,000 (compared to £3,512,000 in the 2019/20 revised budget – under the pilot scheme). These figures are subject to significant change.

43. 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.

44. The continuous changes to the legislation and the calls on a national basis to reform business rates completely provides major uncertainty for what is intended to be the Council's major source of external funding from 2021/22.

External Funding – Annual Grant Settlement

45. The 2020/21 provisional finance settlement was finally announced on 20 December 2019 with the final settlement figures expected on the 12 February 2020.

46. The settlement provides details of the Revenue Support Grant (£1,004,283 - now reinstated for Hastings BC) and level of Business Rates that the government expects councils to retain – the Settlement Funding Assessment.

47. The provisional Council Tax Support Grant figure has been received; It is understood the final figure will be advised in April 2020 once the caseloads for 2019/20 are available.

External funding – Benefit and Council Tax Administration Grant

48. The Benefit Administration Grant for 2020/21 has increased to £397,789 (from £389,046 – representing a 2.2% increase) (see Appendix 1). A revision to the methodology was announced last year which saw the Council lose further grant.

49. The level of Council Tax Support Administration Grant receivable in 2020/21 has now been notified at £157,497 (£164,592 received in 2019/20). This represents a reduction of £7,095 (a 4.5% reduction).

50. Discretionary Housing Payments (DHP's) play a vital role in supporting a lot of people affected by the welfare changes. 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. The grant figure for 2019/20 amounted to £381,729. The figure for 2020/21 is still awaited. This funding will be fully subscribed.

External Funding - New Homes Bonus

51. 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 2020/21 amounting to £199,482 (down from £556,337 in 2019/20 - **a funding loss of £356,855**.

52. The government changed the scheme in December 2016 to divert money to social care. It reduced the period it was 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 was not affected by the threshold decision.

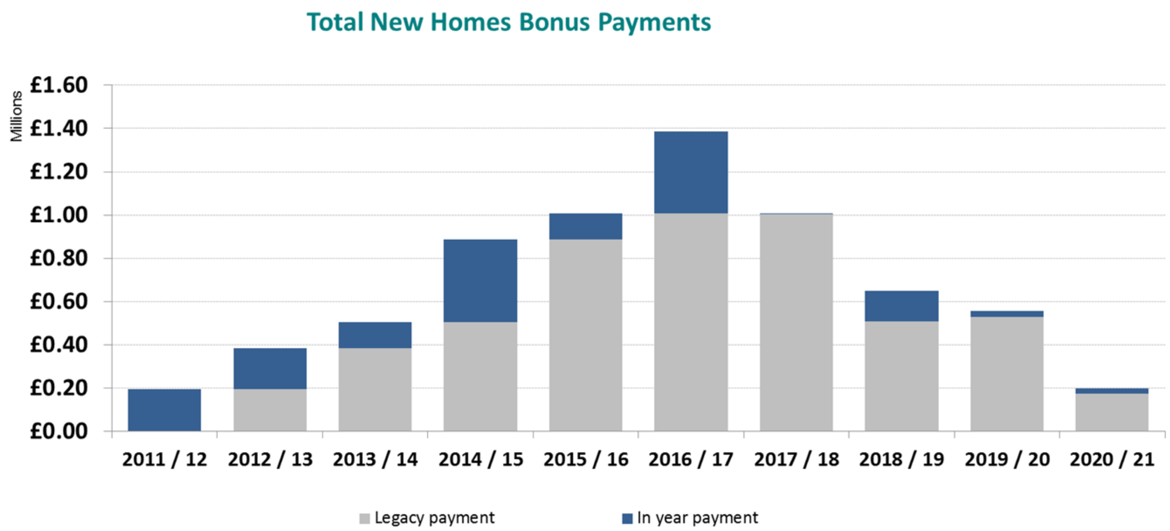
53. The Council Tax Base return (CTB 1 in October each year) identifies the number of new properties completed and the number of long term empty properties brought back into use (net). For the 2020/21 calculation this amounts to some 158 new properties but some 119 of additional empty properties and does not therefore meet the threshold of achieving more than 0.4% of the housing stock (0.12% achieved). The number of affordable properties completed amounted to some 90 for which there is a payment of £350 per property (shared with the upper tier authority); resulting in additional income amounting to some £25,200 for 2020/21. The funding for 2020/21 is a "one-off" with no ongoing legacy payments.

54. 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
Year 10				25,200		
Total	1,008,964	649,559	556,337	199,482	168,682	26,320

55. The reduction between 2019/20 and 2020/21 is a funding loss of £356,855. The graph below identifies the funding levels since 2011/12 and the massive reductions since 2016/17.



56. 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.

57. 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 be 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.

Summarised Grant Position

58. 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).

59. It is said that this is a one year standstill settlement. 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% in future years. New Homes Bonus is set to decrease further in the years ahead as is the Benefit Administration Grant as the country moves towards Universal Credit and away from housing benefit.

60. In 2020/21 the Council will receive business rate income and also Revenue Support Grant at a combined level that is similar to the Settlement Funding Assessment for 2019/20. New Homes Bonus is however some **£357,000** less than in 2019/20 as detailed in the report and is set to fall further. This loss of grant when combined with the additional costs from inflation, waste and street cleaning, pay increases, temporary accommodation costs and other demand pressures present the Council with significant financial and resource challenges.

Income Generation

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

62. The Council identified some £50m in September 2017 to be spent on commercial property, housing and energy initiatives over a 3 year period. The commercial property allocation was spent in 2017/18 and 2018/19 and was extended on a case by case basis as further options were identified in late 2018/19 and again during 2019/20. In respect of Housing, the housing allocation has been switched to purchasing temporary accommodation directly by the Council – such sums are contained within the Capital programme. In terms of energy, a small amount was spent in 2018/19 and schemes are being developed – particularly on ground mounted solar. As a result the 2020/21 budget and capital programme sees a further revision to the predicted net income streams. These estimates will be revised further once the energy initiatives in particular are agreed – should they prove viable. The Capital programme includes sums that are earmarked for Ground Mounted Solar installations for example which may proceed subject to a satisfactory business case receiving approval by Cabinet during 2020/21.

63. The table below highlights some of the acquisitions and initiatives that have not only helped to regenerate the borough, but secured non domestic rating income as well as generating income or saving money. This goes a little way to meeting the massive funding reductions the Council is experiencing and thus helps to protect services.

Acquisitions/lettings	Estimated Income/Rent Saved- 2020/21	Estimated MRP and Interest 2020-21	Estimated Net Additional Income 2020-21	Estimated 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	211,200	328,789	(£117,589)	93,611
Lacuna Place	427,126	355,737	71,389	250,049
Heron House	190,000	107,952	82,048	82,048
26-28 London Rd and 35 Shepherd Street	89,900	62,210	27,690	27,690
Property Fund	85,000		85,000	85,000
Totals	**2,681,800**	**1,915,595**	**766,205**	**1,167,319**

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

Fees and Charges (Including Car Parking)

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

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

67. Car parking charges were last increased in February 2019 for a 12 month period (applicable from 1 April 2019). The Council has experienced increases in business rates on some of its car parks following the 2017 national revaluation and expects to do so again at the next revaluation in 2021. Likewise the Capital programme and Capital strategy include significant expenditure for the Priory Street car park – in order to enhance its useful life.

68. It remains important that those car parks situated near to the commercial hub are priced effectively to ensure that spaces are available for shoppers whilst not deterring shoppers. As such it is proposed to hold car park charges at current levels for 2020/21.

Investment and Borrowing

69. Base rates increased to 0.75% in August 2018 from their previous level of 0.5%. The relatively low levels of interest received on investment balances looks set to continue. The Council's Treasury advisers are predicting a rate of 1% by March 2021, but given Brexit and uncertainties in the world economy interest rates could be cut sooner rather than later.

70. Given the restricted counterparties list, investment returns of around 0.75% (excluding property funds) are currently estimated for 2019/20 and 2020/21. The Treasury Management Strategy will continue to advocate a policy of keeping the respective levels of debt and investment under review.

71. The Council will have additional borrowing requirements of some £15.4m in 2019/20 to finance the acquisition of temporary accommodation, commercial properties and other capital schemes. A sudden increase in the Public Works Loan Board (PWLB) rate by 1% across all periods in October 2019 seriously increases the borrowing costs for all capital projects in the future.

72. In 2020/21 and beyond borrowing requirements are very high given the ambitious plans of the Council. The affordability of these needs to be properly tested, on an ongoing basis given the ongoing uncertainty around Council funding, the level of reserves available, and the significant ongoing additional costs of temporary accommodation.

73. Whilst alternative borrowing sources to the PWLB can be identified, the costs may be significantly higher and the timescales to obtain funding will be far longer and processes and loan agreements far more involved and time consuming.

74. The Capital programme if approved will increase borrowing levels to some £103m by 2021/22 and potentially up to £130m if the Council approves and funds the development of the lower tier Bexhill road site at a future date. This figure excludes any borrowing in respect of Bohemia. This programme would 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) – this is not a sustainable option given the Council's financial position unless alternative funding is identified.

75. There are substantial potential projects and developments that are being considered and progressed within the Council (as detailed in the Capital Strategy) that are currently unaffordable given the current level of financial commitments and continued uncertainty on future funding.

Inflation

76. This had not been a major issue over the last couple of years. In December 2019 it was 2.2% (Retail Price Index) whilst the government's preferred measure CPI (Consumer Price Index) was 1.3%.

77. Inflation, according to the Bank of England Monetary report (November 2019) is expected to be at or around the 2% target in the next two years (mid 2021) – subject to a satisfactory Brexit arrangement.

78. 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

79. The budget assumes a 2.5% increase for 2020/21. There are also contractual increments (equivalent of around ½%).

80. The salaries budget together with national insurance and pension costs amount to some £13.2m in 2020/21. The Council's own salary costs have increased as a result of taking on the Street Cleaning service in 2019/20.

81. The Council remains committed to paying the accredited living wage of £9.30 per hour (for over 18's from 1 April 2020 – up from £9 p/h (a 3.3%increase). This is higher than the national minimum wage for over 25's - which increases to £8.72 from 1 April 2020 from £8.21 (a 6.2% increase). 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

82. 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.

83. The impact of the change is a reduction in new benefit claims, an increase in questions and support, and significant year on year reductions in the Housing Benefit Administration grant receivable.

84. The timescales for the final stage of converting existing working age Housing Benefit claims onto Universal Credit remains unclear – albeit to be completed by 2022 supposedly. 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.

85. The Department for Work and Pensions (DWP) are providing some additional funding to the Council, but much of the funding is now being paid directly to external support organisations e.g. to those providing debt advice, etc., and is paid on a per head basis; 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.

Council Tax Support Scheme

86. 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.

87. 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.

88. The cost of the scheme is set to increase from some £10.6m to some £10.85m in 2020/21. The Council's costs are set to increase by a further £35,000 (HBC's share of the additional

£250,000 p.a.). If there is recession with more people claiming benefit the costs could increase very substantially and relatively quickly.

89. 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 been explored by this Council for 2020/21. These included minimum payments of 3%, 10%, or 15%.

90. Following a review by lead members it is proposed that there will not be any material change to the scheme for 2020/21other than to amend the allowances/deductions in line with national changes. It is recommended that full Council adopt the existing scheme subject to the determination of allowances being delegated to the Chief Finance Officer in line with prior year practice.

91. The Council Tax Support 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.

92. Given that overall levels of government funding continue to decline year on year, the Council will again need to review the affordability of the scheme during 2020/21, and will look to do so in conjunction with neighbouring authorities.

Pension Fund Contributions

93. 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 has been undertaken in 2019 with revised contribution rates becoming payable from April 2020.

94. The actuary has calculated that the fund liabilities in respect of Hastings staff (past and present) amount to some £122,444,000 whilst assets amount to some £122,188,000. This represents a deficit of some £256,000 (£18.247m at 31 March 2016) and represents a significant improvement in the position of the fund within a short space of time.

95. The rates payable by the Council in 2019/20 consist of the primary contribution rate plus 0.75% for future non-ill health retirements (these are percentages of salaries of staff in the pension scheme) plus a secondary rate(or lump sum), namely:

    The rate for 2019/2020 is : 17.3% +0.75% + lump sum of £594,000 (6.5%)

96. The rates payable by the Council for 2020/21 and the subsequent two years are as outlined below.

    2020/2021 is : 17.6% +0.75% + secondary contribution rate of 6.5%
    2021/2022 is : 17.6% +0.75% + secondary contribution rate of 6.0%
    2022/2023 is : 17.6% +0.75% + secondary contribution rate of 5.5%

97. The above figures represent growth of some £18,000 in 2020/21. The reductions in secondary contributions in 2021/22 and the following year should offset the impact of the annual increase in pay on pension costs.

98. The figures released to date are not the final ones, but are not expected to vary significantly. Confirmation that the 0.75% non-ill health rate is still appropriate has been obtained. The actuary has made an allowance for a recent ruling called the McCloud judgement, but the

precise costs will not be known for many months – this will be taken account of in future valuations.

Staffing, Information Technology and Property

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

100. 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.

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

102. 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

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

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

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

105. Of particular significance is the Towns Fund - £3.6bn national initiative focusing on 100 towns of which Hastings is one. The Council is invited to submit proposals for a £25m funded grant to aid further transformation. To assist the Council in pulling a proposal together, developing business plans and establishing a Town Deal Board it is receiving £173,029 of funding. The Town Investment proposal to be submitted in summer 2020.

106. The Towns fund provides the means to carry on the transformation of Hastings when other funding remains unclear e.g. loss of EU grants and what if anything will replace them.

Revised Budget 2019/20

107. 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.

108. The revised 2019/20 total service expenditure budget amounts to £14.645m, against an original budget of £13.625m (Appendix A). The original deficit was estimated at £1.747m and is now estimated to amount to some £1.797m (an additional £50,000).

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

     (i) the additional costs of temporary accommodation – now estimated to exceed the budget by some £380,000 (including borrowing costs)

     (ii) the temporary closure of the West Hill lift – estimated this will cost in the region of £100,000 in terms of lost income and the specialist repair costs

     (iii) Land Charges - income is projected to reduce from £293,000 to £211,000 – a reduction of £82,000.

109. Redundancy costs fall within the year that the decision is made. The estimated costs, given the potential staff affected amount to some £1.046m. These consist of direct payments to staff and payments to the pension fund for what is termed pension strain costs. In the 2019/20 budget £400,000 was allowed for (£225,000 funded from the Redundancy Reserve). The remaining £646,000 would need to be funded by use of all the remaining redundancy reserve (£481,000) and using the remaining Transition Reserves and some of the General Reserve.

110. The Council's agreed pay policy requires any redundancy package exceeding a £95,000 cost to the Council (i.e. including Pension strain costs) has to be agreed by the Employment Committee and thereafter by full Council.

111. Given that the Council is likely to incur further significant redundancy costs in 2020/21and beyond it is recommended that £500,000 of the remaining General Reserves be transferred to the Redundancy Reserve.

112. A number of in-year savings have been identified e.g. insurance contract (£150,000), business rate appeal on the cemetery (£35,000 p.a. ongoing saving) and a number of staff posts that have not been filled (£77,000). These, and other savings, have however been totally offset by the projected increase in temporary accommodation costs in 2019/20.

113. Business rate income remains an area of high volatility and risk – particularly with the high level of outstanding appeals. The total rateable value in 2019/20 has reduced from some £62,755,000 at the start of the year to an estimated £62,554,000 at 31 March 2020. The loss of £201,000 of rateable value translates into some £100,000 p.a. loss of income. The level of appeals outstanding both nationally and locally continues to be a threat and is impacting significantly on the retained income levels.

114. The projected deficit for 2019/20 is £1.798m and necessitates using most of the remaining Transition Reserve (£253,102 remaining for use in 2020/21), all the Economic Development

Reserve, all the Community Safety Reserve and all the Redundancy Reserve, as well as some £200,000 of the Resilience and Stability Reserve.

115. The £1.798m figure is dependent on who is made redundant, the actual pension strain costs incurred, payment of outstanding benefits e.g. accrued leave, as well as the issues which can cause financial uncertainty within the remainder of 2019/20. These include for example the business rate appeals, development control income, car parking income, commercial property income, economic climate, borrowing costs, investment returns, bad debts, legal claims and any change in employment levels, benefit costs, temporary accommodation costs.

116. In terms of Capital expenditure in 2019-20 the Council is planning to spend £18,461,000 (Original budget £19,251,000) on capital projects during 2019-20. Of this £15,395,000 is due to be funded from borrowing, £2,881,000 by grants and contributions, and £185,000 from capital receipts.

Budget 2020/21

117. The Council's total service expenditure in 2020/21 is estimated at £12.260m. This compares to a revised estimate of £14.903m for 2019/20 (which includes the £1.046m of redundancy costs). The total expenditure for the Council increases to £15.453m in 2020/21 once net borrowing and debt repayment costs are taken into account.

118. Funding reductions have continued with the loss of new homes bonus monies in particular (£357,000). After allowing for a 1.99% increase in Council Tax and an increase in the Council tax base of 1%, the total funding to be met from Grant and the Collection Fund is estimated at £13,063m (down from £13.329m).

119. A balanced budget can be achieved with the use of £2.389m of reserves in 2020/21 (£1.237m earmarked, and £1.152m to fund the remaining deficit). This £1.152m deficit being funded from the Council's Transition reserve and General Reserve – leaving these at level which is just above the minimum level recommended (£6.517m against a minimum recommended level of £6m).

120. To help achieve the balanced budget for 2019/20, PIER saving targets were set as part of the budget setting process in February 2019; the achievement or otherwise of these will be reported to Cabinet in July 2020.

121. Services need to continue to identify opportunities to make in-year savings during 2020/21 and investigate other ways of achieving corporate objectives when staff leave the organisation.

122. After ten years of funding reductions, there are few illusions left about the difficulty in identifying the further budget reductions required to even achieve the levels of reduction required. The cuts directly impact on services, staff and their families.

123. As part of this year's process reductions of £1.824m have been identified for 2020/21, increasing to £2.397 in 2021/22 and £2.446m in 2022/23. These reductions have been partly offset by growth. Please see Appendices K and K2 for details. Some of the savings were identified as part of previous year exercises e.g. reductions in Community Partnership Funding, theatre funding and are separately identified.

124. The savings listed will impact across many parts of the Council's activities and involve the Council in significant reorganisation and job losses. Some 25.7 full time equivalent staff posts would be involved of which some are currently vacant.

125. Significant additional funding has been received in the last few years to help address the homelessness issues. These include Private Rented Sector Access funding of £329,000 in 2019/20, and Flexible Homelessness Support Grant (FHSG) - £745,258 & a further £225,000 top up in 2019/20. Large sums for rough sleeping initiatives have also been received in 2019/20 (some £1.1m in total – including £310,000 for the Rapid Rehousing Pathway). A similar funding amount has been awarded for 2020/21 in respect of FHSG (£745,258) - which has been allowed for in the 2020/21budget. A further grant of £211,517 has been notified (23 December 2019) in respect of Housing Reduction Act. Even with these sums the net cost of Housing to the Council has increased.

126. Energy Efficiency Regulations Enforcement

The government are looking to work with Hastings BC in 2019/20 to pilot activity in the private rented sector around minimum energy efficiency regulations enforcement. In the first year of pilots, each LA will be provided with S31 grants (£48,600 awarded for 2019/20). A Memorandum of Understanding agreed with the government will help guide activities relating to the study at a high level (advised that this would not have any formal conditions attached). The funding would all be made available through a single upfront award, and as such there would be no milestone payments or payments dependent on completing specific tasks. In order to be in a position to move quickly, it is being recommended that authority be granted to enter into a Funding agreement/ Memorandum of Understanding with the government (BEIS) subject to no adverse grant terms and that appropriate authority is granted for expenditure up to the level of funding received in 2019/20 and periods thereafter.

127. The estimated balance on the Collection Fund at 31 March 2019 in respect of Council Tax is a surplus of £50,307(Hastings BC share). There is also however an estimated deficit on the Collection Fund in respect of business rates of some £187,752.

128. **Growth Proposals**

In addition to the reductions in grant funding e.g. New Homes Bonus there are a number of costs, that impact on 2020/21. These include :

i) Pay increase (estimated)
ii) Pension cost increase
iii) Interest rates – Investments vs borrowing rates
iv) Rateable values and appeals

129. There are significant areas of growth in 2020/21. These include:

(i) the full year effects of the contracts for waste and street cleansing services (£205,000) and loss of recycling credits (£83,000),
(ii) Temporary accommodation (£380,000) – full year impact (including borrowing costs),
(iii) Local election (£110,000),
(iv) Pension Fund revaluation (£18,000).
(v) Bohemia (£100,000 – of which £65,000 is growth) for ground surveys).
(vi) Climate Change officer (£50,000)
(vii) Cliff works (£100,000) – funded from Renewal and Repairs Reserve
(viii) Lower Land Charges Income (£82,000)

130. In addition funding reductions in respect of New Homes Bonus (£357,000) and a deficit on the collection fund (£137,000). There are also numerous areas of uncertainty in attempting to determine the available resources e.g. wage settlements, inflation, future investment and borrowing costs.

131. The remaining Invest to Save monies are largely committed. In February 2019 it was agreed that the use of the monies be determined under delegated powers by the Chief Finance Officer in consultation with the leader of the Council. It is recommended that the use of these sums is again determined for 2020/21 and beyond under delegated powers by the Chief Finance Officer in consultation with the leader of the Council. The reserve will largely be exhausted during 2020/21.

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

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

134. Given the continuing pressure on revenue resources and reserves the Council will soon be unable to afford the upfront costs associated with new projects/disposals unless it is able to set a sustainable budget in the very near future.

135. In summary there is an estimated deficit of £1,152,000 in 2020/21. The savings identified and additional income generated, mean that a balanced budget can be achieved in 2020/21 by using £1,152,000 of reserves.

136. To achieve a balanced budget in 2020/21 without using reserves at this stage of the budget process would be difficult given the notice and consultation periods required for staff redundancies. Whilst difficult to achieve for the start of 2020/21, the Council must continue to review the level of service it can provide and transform the way it delivers those services in order to balance the budget. Priority, at least in the short to medium term, needs to be directed towards making urgent in year savings, whilst also concentrating on achieving the savings identified in the PIER process as listed in Appendix K. Priorities also remain for enhancing and preserving existing income streams, recovery of debt, transformation of services and making a successful bid for the £25m Towns Fund, and at the same time undertake a significant reorganisation without losing key staff.

Budget 2021/22 and beyond

137. The results of the government's Spending Review (2020), the Fair Funding Review and move to 75% business rate retention will undoubtedly alter the projections for 2021/22 and beyond. However based on current assumption of no new monies being available to Borough and District Councils overall, this section makes a best estimate of future budget shortfalls.

138. The table below shows deficits of £767,000 in 2021/22, £666,000 in 2022/23, and £493,000 in 2023/24 before the use of reserves. The above figures assume PIER savings and income generation projections, already identified, will be achieved in full or alternative savings to at least the same amount will be achieved.

	2019/20 (Revised) (£000's)	2020/21 (£000's)	2021/22 (£000's)	2022/23 (£000's)	2023/24 (£000's)
Net Expenditure	15,127	14,215	14,159	14,159	14,213
Funding	(13,329)	(13,063)	(13,392	(13,493)	(13,721)
Shortfall	**1,798**	**1,152**	**767**	**666**	**493**
Use of Reserves	(1,798)	(1,152)	0	0	0
Estimated Shortfall	**0**	**0**	**767**	**666**	**493**

139. To achieve a balanced budget in 2021/22 further savings of £767,000 need to be identified.

140. To achieve a balanced budget in 2022/23 savings of £666,000 need to be identified. By 2023/24 the figure reduces to £493,000. Such projections carry significant uncertainty – and take no account of any potential 5% annual decreases in future funding levels.

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

142. The deficits are estimated to amount to:
2021/22 - £767,000
2022/23 - £666,000
2023/24 - £493,000

Council Tax

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

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

144. The tax base for 2020/21 is some 1.2% higher, as a result of additional properties and the reduction in numbers of Council Tax Support claims. The effect is to increase the tax base from 25,865 to 26,197 (worth some £88,000 p.a. to HBC alone).

145. It is again open to the Council to increase Council Tax for 2020/21. One percent on the Council Tax will equate to around £69,500 of income for this Council.

146. The 2020/21 budget projection assumes a further contribution of £50,307 from the Council's Collection Fund in respect of Council Tax. In terms of business rate income there is a deficit estimated at £187,752. The overall deficit on the Collection Fund being estimated at £137,445 at 31 March 2020.

147. The government have yet to announce whether a shire district or borough Council can increase Council Tax by more than 2%. If higher then it will be required to hold a referendum.

148. The figures in the appendices (Appendix M) show an indicative 1.99% increase for Hastings BC, a 4% increase for ESCC, 1.99% for the Fire Authority and a £5 increase for the Police and Crime Commissioner. Actual figures will be included in the budget reports – once determined.

149. Council Tax is at £265.50 p.a. (Band D – Hastings BC element) and a 1.99% increase for 2020/21 would take this to £270.78 p.a. (a £5.28 per annum increase for a Band D property – a 10p per week increase in respect of Hastings Borough Council).

Asset Sales - Capital Receipts

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

151. The council will continue to consider if there are options other than outright disposal that might generate revenue income and/or address strategic housing or economic priorities. Proposals for partnership with others (particularly the private sector) may provide alternative options to achieve council objectives. If such options are developed they would obviously require close scrutiny and clear understanding of longer term implications as well as short term benefits.

152. It has been the aspiration of the Council to develop out its own sites e.g. Harrow Lane, Mayfield E, Bexhill Road sites. However, the Council can no longer afford to develop all the sites itself and needs the income streams from investing the receipts in order to help balance the budget. It also needs to ensure the sites are developed rapidly in order to meet a severe housing need – and reduce the temporary accommodation costs.

153. The budget proposals include the disposal of the Harrow Lane, Mayfield E and Bexhill Road (South) sites. Some sites the Council has already agreed to market and sell e.g. Land at Whitworth road, Old Town Hall (if a viable alternative rental is not achieved shortly).

154. It is the intention that the Council will fund (or part fund) the development of a number of sites that it owns, namely Cornwallis Street car park (hotel development), Harold Place (Restaurant/Bistro), Industrial units (Churchfields Estate), York Buildings (conversion above shop to 6 flats), Bexhill Road (housing).

155. As ever it remains imperative that the Council maximises its capital receipts. These will be invested directly or used to finance borrowing (thus avoiding borrowing costs). Failure to

maximise these may necessitate curtailment of the already limited capital programme given the costs of borrowing. The additional costs of borrowing fall directly on the revenue account in terms of interest payments and annual contributions towards the repayment of the principal (i.e. Minimum Revenue Provision (MRP)). If there are invest to save efficiencies then these costs may be offset. Appendix E identifies the capital financing/borrowing requirement over the life of the capital programme.

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

156. It is recommended that where a Capital scheme involves a net increase in costs to the Council e.g. Buckshole Reservoir, or where any guarantee is to be provided which does or could incur costs for the Council, such decisions are now made by full Council. The Financial Rules and Financial Operating Procedures authorise the Cabinet to agree new Capital Schemes. This is effectively at odds to the Financial Rules which require the Cabinet to operate within the financial and budgetary envelope determined by full Council. This has not been an issue in the past, and instances are few and far between, but given the financial position of the Council such decisions should be determined by all members.

157. Likewise, it is further recommended that no properties or land be disposed of, either by sale or long leasehold, at less than market value without further express approval by Full Council.

Capital Programme

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

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

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

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

b. meet the objective of sustainable development,

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

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

160. For 2019/20 there is slippage on a few schemes, including the restoration of Pelham Arcade Works and Roadway, Private Sector Housing renewal, Energy (Solar).

161. The completion of the commercial development site in Bexhill Road will help to regenerate the area, provide new jobs and also produce an income stream and business rate income – completion due in late March 2020.

162. The level of Disabled Facility Grant (DFG) funding for 2019/20 was £1,812,584. Figures have not yet been advised for 2020/21. The funding is from the Better Care Fund and paid to the Council from East Sussex County Council rather than directly by the government. The capital programme will be revised once figures for 2020/21 are received. This is a capital grant and

can be used for DFG purposes only. The budget is not currently being fully committed – the projected underspends are transferred to an earmarked reserve, with a risk that they may need to be repaid. A balance of some £2.1m is anticipated as at 31 March 2020.

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

	Revised 2019/20 £'000s	2020/21 £'000s	2021/22 £'000s	2022/23 £'000s
Gross Capital Expenditure	18,461	26,100	19,122	1,882
Net Capital Expenditure	15,580	16,936	17,310	70
Financing from own resources	185	185	208	70
Borrowing Requirement	15,395	16,567	17,102	0

164. In terms of **net cost**, the **2019/20** programme has been revised to £15,580,000 from £16,656,000.

165. The **2020/21** programme amounts to £16,936,000 net of grants and contributions (£26,100,000 Gross).

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

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

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

168. **Future Proposals:** Of significance are the potential schemes that will need funding in the long term e.g. new leisure and cultural centre at Bohemia if viable, and the development of the lower tier site on the Bexhill road. The potential sums involved are very significant and are identified within the Capital Strategy elsewhere on the agenda.

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

Capital Programme – Impact on Revenue Account

170. In determining the affordability of new capital proposals the Council had been required to consider the incremental impact on the Council Tax for future years (this is no longer a reporting requirement). The Council does need to scrutinise business cases for capital proposals and carefully assess the potential future financial burden of such decisions. The Buckshole reservoir works have a capital cost of £837,000 which if funded by borrowing has an annual revenue cost of some £68,000 p.a.

171. The capital programme has significantly increased in the last few years, as economic and regeneration opportunities have been taken. In 2020/21 borrowing is set to increase to some £88m and approaches £105m by the end of 2021/22. To allow for the development of the Bexhill road site (North) the Council may need to allow for an additional £30m of borrowing headroom.

Investment in Council Assets

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

173. The Council's Renewals and Repairs Fund is reviewed on a regular basis in order to ensure sufficient resources are available to fund necessary works. Planned maintenance is normally cheaper in the long term than reactive maintenance.

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

Minimum Revenue Provision (MRP)

175. 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.

176. 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.

177. 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 MRP for 2020/21 is estimated at £1,624,000 (excluding any notional figures for leasing arrangements). The Council's MRP policy is determined by full Council as part of the Treasury Management Strategy in February for the forthcoming year.

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

CFR	2019/20 (Rev Est)	2020/21 (Est)	2021/22 (Est)	2022/23 (Est)	2023/24 (Est)
	£	£	£	£	£
CFR-Opening	59,370,380	73,641,380	88,471,380	103,737,380	101,267,380
Less MRP	(1,176,038)	(1,623,844)	(1,883,773)	(2,424,943)	(2,434,520)
Plus, New Borrowing	15,395,000	16,567,000	17,102,000	0	0
CFR Closing	73,589,342	88,584,536	103,689,607	101,312,437	98,832,860

179. These figures are very much dependent upon the level and timing of capital acquisitions/payments, the level of capital receipts received and the useful life of the assets acquired or constructed. The figures will continue to be reviewed throughout 2020/21 and regularly thereafter, based on the proposed Capital programme, and subsequent changes and timing thereof.

180. The Commercial properties and housing assets are generally financed over 40 years. A new development on Bexhill Road will be financed over 50 years through an Annuity loan i.e. paying off principal over the period of the loan. Vehicles are financed over their useful lives (7 to 10 years).

Reserves

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

182. The strategic reasons for holding reserves are:-

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

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

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

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

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

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

184. For the budget strategy reserves at 31 March 2020 are estimated to consist of:-

General Reserves	**Estimated Balance at 31.3.2020 £'000s**	**Estimated Balance at 31.3.2021 £'000s**
Revenue Reserves	7,416	6,517
Capital Reserve (Revenue monies)	50	50
Total	**7,466**	**6,567**

Earmarked Reserves	Estimated Balance at 31.3.2020 £'000s	Estimated Balance at 31.3.2021 £'000s
Renewals and Repairs Reserve	1,201	797
Insurance & Risk Management Reserve	315	300
IT Reserve	124	124
S106 Reserve	533	513
Government Grant Reserve	605	535
Revenue Hardship Fund	80	80
Monuments in Perpetuity	47	46
Ore Valley	250	250
Invest to Save and Efficiency Reserve	193	34
Resilience and Stability Reserve	400	400
Transition Reserve	0	0
Redundancy Reserve	500	275
Community Safety Reserve	0	0
Economic Development Reserve	0	0
Disabled Facilities Grants Reserve (DFG'S)	2,106	2,106
Clinical Commissioning Group	349	349
Selective Licensing	412	285
Housing Licensing Reserve	159	120
Other reserves	291	173
Total	**£7,817**	**£6,387**

185. At 31 March 2020 General and Capital Reserves will amount to an estimated £7.466m, of which some is already committed e.g. empty homes strategy (£150k). Earmarked Reserves amount to £7.817m of which most is not available to use on other than specific areas e.g. DFG grants. Total reserves at 31 March 2020 are estimated at £15.283m. The reserves are projected to decrease to £12.954m by 31 March 2021 (The estimated reserves position is shown in more detail in Appendix H).

186. As an absolute minimum, the General Reserve should be £6m i.e. the non- earmarked reserves. The use of the General Reserve to balance the 2020/21 budget leaves the General Reserve at just above the minimum level. The £6m level is the same as for 2019/20 and reflects the more difficult funding regime, volatility in income streams that the Council is so reliant upon as well as the experience of recent years which has seen financial claims being made against the Council e.g. pier claim and the mandatory rate relief claim in respect of NHS properties. This level is required to be maintained to cover unexpected expenditure, e.g. emergencies, potential over runs of gross expenditure and down turns in income sources, and was arrived at as follows:-

(i) 15% downturn in income (sales, fees, rents, etc) - £2m (Projection)

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

(iii) Unforeseen events/losses - £2m

187. The transition reserves will all be 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.

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

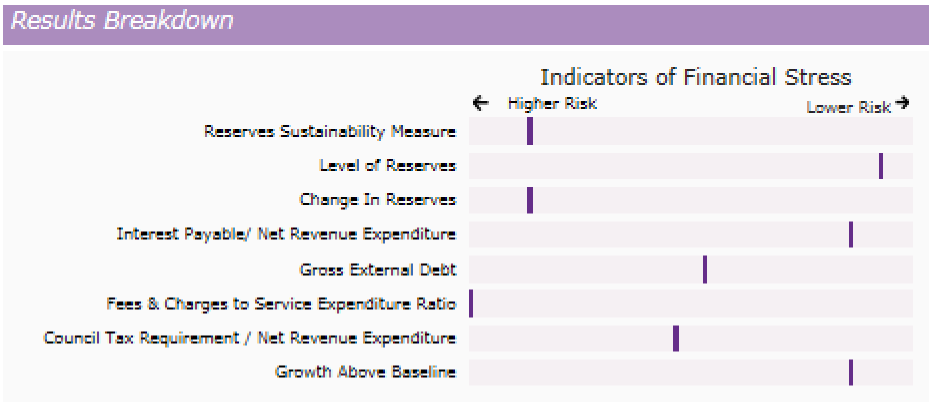
189. It is estimated that there will be some £517,000 of unallocated (at present) general reserve by the end of 2020/21. This is the only remaining funding that would be available to help fund and cover those costs that cannot be capitalised in any development programme. If the Council does not produce a balanced or sustainable budget then these reserves would have to be used to balance it. The carrying costs e.g. up front and interest costs of building major schemes such as Lower Bexhill road, York buildings, new industrial units at Churchfields, Visitor centre, hotel, could become unaffordable.

190. 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). The 2020/21 budget includes a further £100,000 funded from the Renewal and Repair reserve.

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

191. Flowing from the financial problems at Northampton CC, CIPFA developed a range of financial indicators relating to the resilience of local authorities given the funding crisis. The latest results are shown below – based on 2018-19 figures.

Table: Showing CIPFA Indicators of Financial Stress for Hastings BC



192. From the above table it can be seen that the key reserves sustainability measure places the Council in the higher risk spectrum. The ones that are not in the higher risk, based on 2018/19 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 e.g. includes Disabled Facility grants, Clinical Commissioning Group monies which are not useable for other than specific purposes. The Council's external debt is increasing and the total debt payments will also increase.

193. The indicators highlight that the reserves are being depleted faster than at other Councils, that there is a very low level of unallocated reserves (one of the lowest of all borough and district Councils), and 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.

Reserves

194. The increasing use of the reserves has been fully highlighted 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 2020/21.

195. There is a view that the Council has significant reserves and can continue to operate for a couple more years with the large 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 to finance the capital programme and new regeneration opportunities.

196. 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.

Chief Finance Officer Statement

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

It is the view of the Assistant Director - Financial Services & Revenues (Chief Finance Officer) that

(i) the processes followed and the information systems used are sound and that the regular reporting and involvement of senior managers in managing budgets provides a degree of assurance that the resultant estimates are as robust as present economic circumstances and resources allow.

(ii) the reserves are currently adequate – but no more than adequate given the uncertainties surrounding future funding streams, and the difficulties that will be faced in identifying and achieving more savings and generating additional income without risking the future sustainability of the Council.

(iii) the reserves could now quite quickly become inadequate should the funding settlements in 2020/21 prove to poor, or there continues to be significant unforeseen expenditure .The reserves would not be considered adequate to undertake any number of large capital schemes before the future funding position is known. No Council should embark on large Capital programmes without due consideration of the financing implications in both the long and short term.

(iv) Financial monitoring and control within the Council needs to be further strengthened and there are recommendations within the report to this effect. In addition when services become aware that budgets may be exceeded or income to be less than projected offsetting savings need to be identified and achieved in the year wherever possible; the Council's Financial

Rules need to be fully supported and adhered to. The forthcoming Management restructure will need to ensure that it will be capable of achieving the requirements of the forthcoming Financial Management Code.

(v) The Council has a very good record of identifying and achieving savings over the last 10 years. The Council has again identified large spending reductions for 2020/21, which combined with the need to achieve PIER savings identified in prior years, transformation of existing services, a significant reorganisation, and the need to make further savings present serious challenges for the Council to achieve in a short timescale. Should some of these savings not be achieved in the timescales required there will be a greater call on the Council's reserves than already identified in this report.

Consultation

198. The draft Corporate Plan and Budget being the subject of consultation (from Friday 10 January 2020). The closing date for comments (Friday 7 February 2020) being after the dispatch of the Cabinet agenda and therefore any comments received are reported verbally to Budget Cabinet on 10 February. Comments received from the business community, voluntary and community sector organisations and the Overview and Scrutiny Committee meeting being included within the Corporate Plan report elsewhere on the agenda.

199. The full Council meets to set the budget on 19 February 2020.

Equalities and Community Cohesiveness

200. The equalities implications of the proposals included in the draft budget and corporate plan are set out in Appendix K2. Members are reminded that they are under a duty to give due regard to considerations of equality when making decisions regarding the Budget and Corporate Plan, (Equality Act 2010).

201. As with the consultation feedback set out above, if any information is submitted as part of the consultation which requires a revision of this assessment, this too will be made available to Members at the Budget Cabinet meeting.

Risk Management

202. Numerous risks are highlighted in this report, and further comment is made below. The risks include reduced government funding, enhanced demand for Council services, delays in asset disposals. There are continuing risks surrounding the funding and employment of staff delivering housing benefits over the next few years. The Council must further prioritise its objectives and identify where it will need to make even greater savings to balance the budget in 2021/22 and beyond should there be a poor settlement or risks identified emerge.

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

204. The Council must seek to identify further opportunities for contract savings, plus identify, investigate and implement efficiencies, identify income generation opportunities and ensure that potential savings are monitored and achieved. **Where services are overspending, rapid action must be taken in year to ensure that costs are contained within overall**

budgets. The luxury of having reserves available to cover such costs has substantially reduced.

205. The Council maintains risk registers for corporate risks and for individual services. These must be updated and reviewed on a more regular basis and steps taken to mitigate the risks wherever possible and practical. The transition to a Council with fewer staff and resources poses additional risks.

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

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

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 2021/22).

The move to 75% retention (from the current 50%) in 2021/22 passes on the additional risks of volatility to councils – the implications will be very much in the detail, which is awaited.

Business rates in the meantime continue to present real uncertainties. Volatility in income streams arising from both local and national economic pressures, the level of successful rating appeals, and the collection rates achieved. The appeals provision within the Council's accounts amounted to some £3.955m at 31 March 2019 of which HBC's share is some £1.582m. Rateable values, following appeals have declined in 2019/20 with the consequent impact on income.

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

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

There remains considerable pressure on existing staff and prioritisation of work is required. The potential impact on the authority should things go wrong needs to be considered prior to the approval of individual schemes, along with potential exit strategies.

(iii) **Existing Services - Increased Demand**

Increased demand for public services – homelessness and temporary accommodation. It also remains of critical importance that budget managers retain sufficient capacity to manage their services and the budgets delegated to them when new initiatives are being implemented. Careful monitoring and regular review of existing initiatives is also required e.g. selective licensing, social lettings agency, energy, temporary accommodation. Each of these has financial repercussions if business plan objectives are not achieved.

Sufficient oversight and review must be maintained on existing high priority services and areas where demand is increasing.

(iv) **Staffing / Knowledge Management**. The loss of key staff through early retirement or redundancy. The impact of illness on a smaller organisation can be more acute.

(v) **Welfare Reform (Universal Credit and Council Tax Support).** There is a significant financial risk of increased Council Tax support payments being made in the year should the economy falter– the financing risk falling on the Council. The Council will investigate a new scheme for 2021/22 with all the implications this has on the local community and the Council in devising the scheme.

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).

Universal Credit arrangements continue to change with more cases, and particularly the more complex cases falling on the shoulders of the Council. According to the DWP timetable the transfer of existing working age claimants to Universal Credit is still expected to be completed by 2022.

In the meantime benefit administration grant continues to be reduced by government.

(vi) **Restructuring Costs.** In order to make savings of the magnitude required in the future, the Council will need to further reconsider what services it can provide and to what level. The continued transformation and digitalisation of services continues and further restructuring seems inevitable. Voluntary and/or compulsory redundancies have large financial consequences for the authority, both in terms of direct payments but also generally on the Pension Fund - in addition to the effect on the capacity of the organisation and knowledge management implications. The Council established a Redundancy Reserve as part of the budget setting process in 2011/12 which has been added to when possible (Balance at 31 March 2019 was £573,000). This reserve is inadequate to meet the redundancy costs in 2019/2. The reserve needs to be added to in order to meet the expected additional costs of transformation in 2020/21 and beyond.

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

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

(ix) **Potential Liabilities**

(i) **NHS Foundation Trust High Court Case** – The NHS and their agents have been pursuing a case in the High Court with regards applications for mandatory rate relief on the grounds of, in the first instance, foundation trusts being charitable organisations. A preliminary hearing was held on the 4th November and the decision given on 12th December 2019.

The case in question was Derby Teaching Hospitals NHS Foundation trust and 16 others Vs Derby City Council and 44 others and the Charity Commission for England

and Wales.

The view of the High Court is that Derby Teaching Hospitals NHS Foundation Trust is not a charity for the purposes of S43(6) of the Local Government Finance Act 1988, which means that mandatory rate relief is not appropriate. The full decision runs to 28 pages. The cost to the Council had it been successful amounting to some £4.3m, with an ongoing loss of revenue of some £350,000 p.a. The Council's share of the £4.3m would amount to some £1.9m (44%).

This is a very welcome decision ,but at the time of writing it is not known whether they will seek to appeal further (albeit permission denied by the high court). As such we may see this issue continue for some time to come.

(ii) **Cliffs** – A further £100,000 has been allocated from the renewal and repairs reserve for additional works in 2020/21. Further costs are expected to arise once further clearance and repair work is undertaken and additional monies are included in the budget for 2021/22. The Renewal and Repairs reserve cannot sustain this level of expenditure for long.

(x) **The Economy** – The economic and financial uncertainty surrounding Brexit and the trade agreements will be a major risk for some years. The Council relies upon its income streams to provide services.

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

(xii) **Pension Fund** – The performance of the fund and the actuarial revaluation – new rates apply from 2020/21 which are marginally higher. The period between reviews may also change. The overall funding position has improved markedly over the last 3 years much to the credit of ESCC and the pension fund managers.

(xiii) **Contract Awards** – The Council does rely on external service providers; it is particularly reliant on external IT and software companies. Effective due diligence in the award of contracts remains critical to the effective provision of Council services.

(xix) **Land charges** – The transfer of key parts of the service to the land registry by 2022 will result in the loss of income – which continues to fall significantly as more searches are conducted privately.

Economic/ Financial Implications

207. The report supports the alignment of corporate priorities with available resources, and produces a balanced budget for 2020/21 (albeit with significant use of reserves).

208. The financial implications in 2020/21 and beyond are detailed in the report. However, significant further action by the Council will be required to produce a sustainable budget beyond 2020/21 and this may result in more job losses and service cuts.

209. The economic regeneration of the town remains a key priority for the Council. The ability to work with partners to help stimulate the local economy continues but will be seriously reduced in the future with the reductions in our funding. There are however a significant number of projects forthcoming within the capital programme to assist the continuation of the regeneration of Hastings.

210. The budget strategy continues to identify the risks of reduced funding levels from government for the next few years. Income streams are being re-profiled, 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, and particularly the higher costs of temporary accommodation, inflation and wage settlements.

211. The Council's reserves are approaching the minimum level recommended. The cost of redundancies looks set to exceed the funds available within the remaining Redundancy Reserve. The additional costs falling on the General Reserve.

Organisational Consequences

212. The Council has exhausted available reserves to support the budget if it wishes to continue to fund an ambitious corporate plan. To stand a chance of achieving a sustainable budget in the future, staffing reductions have regrettably to be made and priorities must be reassessed. The consequence is that besides staff reductions others must be redirected, at least temporarily towards priority areas.

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

Anti-Poverty

214. The recommendation to full Council is that the Council Tax Support scheme remains unchanged save for the updating of allowances/deduction in line with national changes. The draft scheme continues to provide 100% support for those claimants most in need and hence helps to protect some of the more vulnerable households in the community. The overall costs to the scheme are estimated to be at an increased cost in 2020/21 – some £35,000 p.a. to Hastings BC alone.

Equalities and Community Cohesiveness

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

Consultation

216. The 2020/21 budget proposals will be consulted upon from the 10 January 2020 and will be considered by Cabinet on the 10 February 2020 and determined by full Council on 19 February 2020.

Timetable of Next Steps

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

Action	Key milestone	Due date (provisional)	Responsible
Budget Consultation	Draft Budget Papers published 10 January 2020	Consultation Closes 7 February 2020	Chief Finance Officer
Budget Cabinet		10 February 2020	Chief Finance Officer
Budget Council		19 February 2020	Chief Finance Officer

Wards Affected

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

Policy Implications

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

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

Additional Information

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

Officer to Contact

Peter Grace
pgrace@hastings.gov.uk

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Budget - DRAFT
2020-2021

Hastings Borough Council

Financial Services
www.hastings.gov.uk

Appendices to Budget Report

Contents:

REVENUE BUDGET SUMMARY

Appendix A

	2019-2020 Original Budget £	**2019-2020 Revised Budget £**	**2020-2021 Estimate Budget £**
Directorates			
Corporate Resources	1,366,870	**1,183,440**	**376,330**
Operational Services	11,958,288	**13,462,410**	**11,584,144**
Direct Service Expenditure	13,325,158	**14,645,850**	**11,960,474**
Contingency Provision (incl. R&R Reserve)	300,000	**0**	**300,000**
Total Service Expenditure	13,625,158	**14,645,850**	**12,260,474**
Provision for the Repayment of Principal (MRP)	1,184,000	**1,176,000**	**1,624,000**
Net Interest (Earnings) / Payments	1,334,533	**1,307,491**	**1,568,240**
Total Expenditure	16,143,691	**17,129,341**	**15,452,714**
Amount to be met from Grant and Collection Fund			
Government Grant - Revenue Support Grant	0	**0**	**(1,004,283)**
New Homes Bonus	(556,337)	**(556,337)**	**(199,482)**
NNDR (Surplus) / Deficit	(28,183)	**(28,183)**	**187,752**
Council Tax (Surplus) / Deficit	(144,914)	**(144,914)**	**(50,307)**
Housing Benefit Administration Grant	(389,046)	**(389,046)**	**(397,789)**
Council Tax Support Admin Grant	(160,753)	**(164,592)**	**(157,497)**
Business Rates	(3,563,061)	**(3,512,329)**	**(2,771,268)**
Business Rates - Pooling	(91,361)	**(129,986)**	**(12,462)**
Business Rates - Section 31 Grant	(1,568,916)	**(1,536,715)**	**(1,564,173)**
Council Tax	(6,867,158)	**(6,867,158)**	**(7,093,624)**
Total Funding	(13,369,728)	**(13,329,259)**	**(13,063,133)**
Funding deficit / (surplus)	2,773,963	**3,800,082**	**2,389,581**
Reserve movements			
Contributions to Reserves (e.g. R&R)	744,440	**779,000**	**722,000**
Use of Earmarked Reserves (see Appendix H)	(1,771,850)	**(2,781,184)**	**(1,959,420)**
Net Contribution to/(from) Reserves	(1,027,410)	**(2,002,184)**	**(1,237,420)**
Use of Reserves to fund Deficit			
Transfer from Transition Reserve	(1,095,553)	**(946,898)**	**(253,102)**
Transfer from General Reserve	0	**0**	**(899,059)**
Transfer to/(from)Specific Reserve	(651,000)	**(851,000)**	**0**
Total	(1,746,553)	**(1,797,898)**	**(1,152,161)**
General Fund Movement	0	**0**	**0**
Net Council Expenditure	15,116,281	**15,127,157**	**14,215,294**

Appendix A (continued)

COUNCIL TAX

2019-2020 Total £	2019-2020 Band D £		2020-2021 Total £	2020-2021 Band D £	Increase %
13,369,728		Budget requirement	13,063,133		
0		Revenue Support Grant	(1,004,283)		
(160,753)		Council Tax Administration Support Grant	(157,497)		
(556,337)		New Homes Bonus	(199,482)		
(173,097)		Collection Fund (Surplus) / Deficit	137,445		
(2,049,323)		Other non-ring fenced grants	(1,974,424)		
(3,563,061)		Retained Business Rates	(2,771,268)		
6,867,158	**265.50**	**Borough Council Tax**	**7,093,624**	**270.78**	1.99%
37,110,585	1,434.78	County Council Precept	39,090,409	1,492.17	4.00%
2,422,775	93.67	Fire Authority Precept	2,502,705	95.53	1.99%
4,912,022	189.91	Police and Crime Commissioner Precept	5,237,042	199.91	5.27%
51,312,539	**1,983.86**	**Total Council Tax**	**53,923,780**	**2,058.40**	3.76%
	25,865.0	**Council Taxbase at Band D**		**26,197.0**	

TABLE OF COUNCIL TAX BANDS AND AMOUNTS :

2019-2020 Total Amount	*Band and Value **	*Relationship to Band D*	*East Sussex C.C.*	*Police and Crime Commissioner*	*East Sussex Fire Authority*	*Hastings B.C.*	*2020-2021 Total Amount*
£1,322.58	A - up to £40,000	6 / 9	**£994.78**	**£133.27**	**£63.69**	**£180.52**	**£1,372.26**
£1,543.00	B - £40,001 up to £52,000	7 / 9	**£1,160.58**	**£155.49**	**£74.30**	**£210.61**	**£1,600.98**
£1,763.43	C - £52,001 up to £68,000	8 / 9	**£1,326.37**	**£177.70**	**£84.92**	**£240.69**	**£1,829.68**
£1,983.86	D - £68,001 up to £88,000	-	**£1,492.17**	**£199.91**	**£95.53**	**£270.78**	**£2,058.40**
£2,424.72	E - £88,001 up to £120,000	11 / 9	**£1,823.76**	**£244.33**	**£116.76**	**£330.95**	**£2,515.80**
£2,865.57	F - £120,001 up to £160,000	13 / 9	**£2,155.36**	**£288.76**	**£137.99**	**£391.13**	**£2,973.24**
£3,306.44	G - £160,001 up to £320,000	15 / 9	**£2,486.95**	**£333.18**	**£159.22**	**£451.30**	**£3,430.65**
£3,967.72	H - over £320,000	18 / 9	**£2,984.34**	**£399.82**	**£191.07**	**£541.56**	**£4,116.79**
43,525	Number of properties on Council Tax Banding List						43,683
£25,865	Each £1 of Council Tax at Band D will raise						£26,197

1. BUSINESS RATES BASELINE

	Budget 2019-20 Amount £	Revised Budget 2019-20 Amount £	Budget 2020-21 Amount £
NNDR Income			
Gross rateable value	62,755,809	62,553,968	62,553,968
Small business multiplier	49.1	49.1	49.9
Gross rates receivable	30,813,102	30,713,998	31,214,430
Reliefs and allowances for bad debt and appeals	(9,628,106)	(9,458,775)	(9,923,272)
Net rates less losses	21,184,996	21,255,223	21,291,158
Cost of Collection allowance	(132,166)	(132,166)	(130,479)
NNDR Income	21,052,830	21,123,057	21,160,679
Hastings BC Share (44% / 40%)	**9,263,245**	**9,294,145**	**8,463,597**
Tariff Calculation			
Business Rates Baseline for HBC	10,268,310	10,268,310	9,486,922
DCLG calculation of baseline funding level	4,746,465	4,746,465	3,819,518
Adjustment for Revised budget	0	0	0
Tariff	**5,521,845**	**5,521,845**	**5,667,405**
Levy calculation			
Total income	9,263,245	9,294,145	8,463,597
Add 50% small business relief	1,020,538	1,171,003	741,722
Add reliefs attracting Section 31 grant	345,588	323,103	331,450
Adjusted income	10,629,371	10,788,251	9,536,769
Less Tariff	(5,521,845)	(5,521,845)	(5,667,405)
	5,107,526	5,266,406	3,869,365
Baseline funding level	(4,746,465)	(4,746,465)	(3,819,518)
Growth	361,061	519,941	49,847
Levy payable (50% / 25% growth (pool share)	**180,531**	**259,971**	**24,924**
Pooling income (50% of levy / additional pool share)	**(90,266)**	**(129,986)**	**(12,462)**
Safety Net calculation			
Baseline funding level	4,746,465	4,746,465	3,819,518
Threshold (95.0% / 92.5% of baseline funding level)	4,509,142	4,509,142	3,533,054
Adjusted income less Tariff	5,107,526	5,266,406	3,869,365
Difference	598,384	757,264	336,311
Safety Net receivable	**0**	**0**	**0**
Business Rates Collection			
Business Rates precept	9,263,245	9,294,145	8,463,597
Tariff	(5,521,845)	(5,521,845)	(5,667,405)
Levy	(180,531)	(259,971)	(24,924)
Safety Net	0	0	0
Net Business Rates collection	**3,560,869**	**3,512,329**	**2,771,268**

2. COLLECTION FUND

	2019-20 Original Budget £	2019-20 Revised Budget £	2020-21 Estimate Budget £
Council Tax (Surplus) / Deficit	(144,914)	(144,914)	(50,307)
Non Domestic Rates (Surplus) / Deficit	(28,183)	(28,183)	187,752
Total Collection Fund (Surplus) / Deficit	**(173,097)**	**(173,097)**	**137,445**

INTEREST, MINIMUM REVENUE PROVISION & CONTRIBUTIONS TO RESERVES

Appendix B

	2019-20 Original Budget £000's	2019-20 Revised Budget £000's	2020-21 Estimated Outturn £000's
Net Interest Payments	1,335	1,307	1,568
Contributions to Reserves	725	779	722
Minimum Revenue Provision (Statutory provision for principal repayment arising from borrowing requirement)	1,184	1,176	1,624
Total	3,244	3,262	3,914

Interest	£000's	£000's	£000's
Gross Interest Payable	1,950	1,914	2,315
Gross Interest Received	(553)	(545)	(693)
Income and expenditure in relation to investment properties	(72)	(72)	(64)
Fees	10	10	10
	1,335	1,307	1,568

Contributions to Reserves	£000's	£000's	£000's
IT Reserve	214	214	214
Government Grant Reserve	0	0	0
Transfer to Specific Reserve re: Selective Licensing	3	0	0
Transfer to Specific Reserve re: Housing Licensing	0	0	0
R&R General	420	420	420
R&R White Rock Theatre	80	80	80
R&R re: New Vehicles	8	8	8
	725	779	722

Transfers to/ between Reserves	£000's	£000's	£000's
Transfer from General Reserve to IT Reserve	0	0	0
Transfer to Transition Reserve from Capital Reserve	0	0	0
Transfer to Transition Reserve from General Reserve	0	0	0
Transfer between General Reserve to Community Housing Reserve	0	0	0
General Reserve	0	0	0
Invest to Save and Efficiency Reserve	0	0	0
	0	0	0
Total Income and Transfers	725	779	722

REVENUE BUDGET VARIATION ANALYSIS　　　　Appendix C

	2019-2020		2020-2021	
	£'000	£'000	£'000	£'000
Original 2019/20 Budget		13,325		13,325
Inflation				
Pay & Prices		0		543
Income Variations				
Other income	(13)		163	
Recycling Credits	(11)		83	
Selective Licensing	120		121	
Fees and Charges	(0)		(180)	
Universal Credit Delivery Partnership	40		40	
New Burdens	(87)		(56)	
Rental Income	(99)		(616)	
		(49)		(444)
Budget Reductions				
Turnover Savings	(438)		(11)	
Waste Contract / DSO	(188)		(231)	
Business Rates	(86)		(37)	
CHART	(0)		(13)	
Planning Policy	0		(78)	
PIER savings (appendix K)	13		(1,824)	
		(699)		(2,194)
Growth & Commitments				
Homelessness (excluding borrowing)	245		39	
Housing Benefit Costs	296		302	
Salaries Growth	51		51	
Election in 2020-21	0		75	
Pension costs	3		53	
Renewable Energy Solutions	20		79	
West Hill loss of income for repairs	104		0	
		693		550
Previous years unspent budgets carried forward into 2019/20		445		0
Other Minor Changes		5		158
Internal Recharges		0		0
Invest to save funded items		(144)		8
R&R Reserve funded items		138		130
IT Reserve Spend		(68)		(97)
Foreshore Trust Recharges		(47)		(20)
Estimated Redundancy Cost		1,046		0
TOTAL - Net Additional/ (Reduced) Council Expenditure		1,321		(1,365)
Direct Service Expenditure		14,646		11,960

CAPITAL PROGRAMME SUMMARY

		Original 2019/20 £'000	Revised 2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Subseq. Years £'000	Total over Prog Period £'000
Net cost by Service								
Corporate Resources		5,492	6,986	13,279	6,923	0	0	27,188
Operational Services		11,164	8,594	3,657	10,387	70	1,645	24,353
		16,656	**15,580**	**16,936**	**17,310**	**70**	**1,645**	**51,541**
Net cost by Status								
Committed Schemes	c	14,156	13,262	5,471	15,194	70	1,645	35,642
Uncommitted Schemes	u	0	0	8,650	0	0	0	8,650
New Schemes	n	2,500	2,318	2,815	2,116	0	0	7,249
		16,656	**15,580**	**16,936**	**17,310**	**70**	**1,645**	**51,541**
Gross cost of schemes analysed by service								
Corporate Resources		5,492	6,986	14,079	6,923	0	0	27,988
Operational Services		13,759	11,475	12,021	12,199	1,882	3,457	41,035
		19,251	**18,461**	**26,100**	**19,122**	**1,882**	**3,457**	**69,022**

CAPITAL PROGRAMME FINANCING STATEMENT

Appendix E

	2019/20 Original £'000	2019/20 Revised £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total over life of Programme £'000
Spending						
Capital Spending						
Total Gross Spend	19,251	18,461	26,100	19,122	1,882	3,457
Capital Grants and Contributions Received	(2,595)	(2,881)	(9,164)	(1,812)	(1,812)	(15,669)
Capital Requirement	**16,656**	**15,580**	**16,936**	**17,310**	**70**	**(12,212)**
Financing available						
New Capital receipts in year	185	185	5,185	185	185	5,740
Bfwd Capital Receipts	360	0	0	5,000	0	5,000
Total	545	185	5,185	5,185	185	10,740
Finance Used						
Capital Reserve / Revenue/R&R reserve	184	0	184	23	0	207
Capital Receipts used from asset sales	185	185	185	185	70	625
Capital receipts from prior years	0	0	0	0	0	0
Total Financing available from internal resources	**369**	**185**	**369**	**208**	**70**	**832**
Remaining Financing Requirement	**16,287**	**15,395**	**16,567**	**17,102**	**0**	**49,064**

Government Grant Reserves

Appendix F

Cost Centre Code	Description	Holding Account Code	Balance b/f 1 April 2019 £ 000's	Income & Transfers £ 000's	Expenditure & Transfers £ 000's	Balance c/f 31 March 2020 £ 000's	Income & Transfers £ 000's	Expenditure & Transfers £ 000's	Balance c/f 31 March 2021 £ 000's
20110	DCE-Revenues Division	Q1028	(524)	0	60	(464)	0	60	(404)
20124	EU Exit Funding Reserve	Q1039	(17)	(35)	5	(47)	0	0	(47)
20298	High Street Clean-up	Q1041	(16)	0	0	(16)	0	0	(16)
20216	FLAG	Q1011	(16)	0	0	(16)	0	0	(16)
20310	Local Authority Parks Improvement	Q1043	(15)	0	15	0	0	0	0
20262	Street Games	Q1032	(21)	0	21	0	0	0	0
20263	Sports for All	Q1030	(28)	0	28	0	0	0	0
20314	Countryside Stewardship	Q1007	(72)	0	10	(62)	0	10	(52)
	Total		**(710)**	**(35)**	**140**	**(605)**	**0**	**70**	**(535)**

Revenue Budget Forward Plan

Appendix G

Ref	Revenue Budget Forward Plan	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
1	**Net Service Expenditure**	**14,646**	**11,960**	**12,300**	**12,646**	**12,999**
2	**Funding Commitments:-**					
3	Election Costs (bi-annually)			0	120	0
4	Potential loss of Homelessness Reduction Act grant			211	211	211
5	**Savings/Additional Income Identified**					
6	**Previous PIER savings**					
7	Theatre - reduced contributions			(100)	(200)	(200)
8	Revenues and Benefits			(40)	(40)	(40)
9	Community Partnership Fund			(156)	(156)	(156)
10	PIER saving Gross Adj (shown net in Apx K)			(245)	(245)	(245)
11	Income - Commercial Property			(210)	(240)	(389)
12	Income - re Schemes in Capital Programme			(513)	(1,627)	(1,627)
13	Fees and Charges			(60)	(120)	(180)
14	**Other:**					
15	Contingency Provision	0	300	300	300	300
16	Interest (net of Fees) & other Adjustments	1,307	1,568	2,026	2,323	2,343
17	Minimum Revenue Provision (excl. Inc Gen Adj)	1,176	1,624	1,884	2,425	2,435
18	Contribution to Reserves	779	722	722	722	722
19	Net Use of Earmarked Reserves	(2,781)	(1,959)	(1,959)	(1,959)	(1,959)
20	**Net Council Expenditure**	**15,127**	**14,215**	**14,159**	**14,159**	**14,213**
21	Taxbase	25,865	26,197	26,459	26,724	26,991
22	Council Tax	265.50	270.78	276.17	281.66	287.27
23	**Funding**					
24	From Collection Fund - Council Tax	(6,867)	(7,094)	(7,307)	(7,527)	(7,754)
25	From Collection Fund - Business Rates	(3,512)	(2,771)	(3,803)	(3,841)	(3,880)
26	Revenue Support Grant	0	(1,004)	0	0	0
27	New Homes Bonus	(556)	(199)	(168)	(26)	0
28	Council Tax Support Admin Grant	(165)	(157)	(146)	(135)	(125)
29	Housing Benefit Admin Grant	(389)	(398)	(368)	(340)	(315)
30	NNDR (Surplus) / Deficit	(28)	188	0	0	0
31	NNDR Pooling	(130)	(12)	(12)	(12)	(12)
32	Business Rates Section 31 Grant	(1,537)	(1,564)	(1,588)	(1,611)	(1,636)
33	Council Tax Surplus	(145)	(50)	0	0	0
34	**Contribution To General Fund**	**(13,329)**	**(13,063)**	**(13,392)**	**(13,493)**	**(13,721)**
35	**Funding Shortfall / (Surplus)**	**1,798**	**1,152**	**767**	**666**	**493**
36	**Use of General Reserve**	0	(899)	0	0	0
37	**Use of Transition Reserve**	(947)	(253)	0	0	0
38	**Use of Resilience and Stability Reserve**	(200)	0	0	0	0
39	**Use of Community Safety Reserve**	(250)	0	0	0	0
40	**Use of Economic Development Reserve**	(401)	0	0	0	0
41	**Net Funding Shortfall / (Surplus)**	**0**	**0**	**767**	**666**	**493**

RESERVES **Appendix H**

	2019 / 20				2020 / 21		
	Balance at 1 April 2019 £'000	Income & Transfers £'000	Expenditure & Transfers £'000	**Balance at 31 Mar 2020 £'000**	Income & Transfers £'000	Expenditure & Transfers £'000	**Balance at 31 Mar 2021 £'000**
General Reserve	(7,714)	(422)	720	**(7,416)**	0	899	**(6,517)**
Capital Reserve	(150)	0	100	**(50)**	0	0	**(50)**
Earmarked Reserves							
Renewal and Repairs Reserve	(1,600)	(508)	907	**(1,201)**	(508)	912	**(797)**
Risk Management Reserve	(330)	0	15	**(315)**	0	15	**(300)**
Information Technology Reserve	(153)	(214)	243	**(124)**	(214)	214	**(124)**
On-Street Car Parking Surplus Reserve	(40)	0	0	**(40)**	0	40	**0**
Section 106 Revenue Reserve	(496)	(57)	20	**(533)**	0	20	**(513)**
VAT Reserve	(252)	0	252	**0**	0	0	**0**
Government Grant Reserve	(710)	(35)	140	**(605)**	0	70	**(535)**
Monuments in Perpetuity	(47)	0	1	**(47)**	0	1	**(46)**
Ore Valley Reserve	(250)	0	0	**(250)**	0	0	**(250)**
Resilience and Stability Reserve	(600)	0	200	**(400)**	0	0	**(400)**
Transition Reserve	(1,200)	0	947	**(253)**	0	253	**0**
Redundancy Reserve	(606)	(500)	606	**(500)**	0	225	**(275)**
Community Safety Reserve	(250)	0	250	**0**	0	0	**0**
Economic Development Reserve	(401)	0	401	**0**	0	0	**0**
Safer Hastings Partnership	(81)	0	0	**(81)**	0	0	**(81)**
Disabled Facilities Grant	(1,493)	(1,813)	1,200	**(2,106)**	(1,813)	1,813	**(2,106)**
First World War Project	(11)	0	11	**0**	0	0	**0**
Invest to Save and Efficiency Reserve	(269)	(83)	159	**(193)**	0	159	**(34)**
Clinical Commissioning Group	(349)	0	0	**(349)**	0	0	**(349)**
Carry-forward Reserve	(686)	0	608	**(78)**	0	78	**0**
Selective Licensing Reserve (incl redundancy)	(574)	0	162	**(412)**	0	127	**(285)**
Revenue Hardship Fund	(80)	0	0	**(80)**	0	0	**(80)**
Syrian Refugee Resettlement Programme	(21)	0	0	**(21)**	0	0	**(21)**
Housing Licensing Reserve	(39)	(137)	17	**(159)**	0	39	**(120)**
Community Housing Fund	(74)	0	3	**(71)**	0	0	**(71)**
	(18,476)	**(3,769)**	**6,961**	**(15,283)**	**(2,535)**	**4,864**	**(12,954)**

EXPENDITURE FUNDED BY USE OF RESERVES

(expenditure & transfers) / Income & transfers	Cost Centre / Account	2019-20 Original £	2019-20 Revised £	2020-21 Estimate £
General Reserve	Q1012			
General reserve Saving to/(Use of)		0	0	(899,059)
Total		0	0	(899,059)
Transfers between Reserves				
VAT Reserve to General Reserve		0	(252,000)	0
Carry Forward Reserve		0	(158,751)	0
First World War Project Reserve			(11,000)	0
Increase Redundancy Reserve from General Reserve		0	0	0
		0	(421,751)	0
Carry Forward Reserve	Q1004			
Carried forward		0	(449,509)	(77,740)
		0	(449,509)	(77,740)
Capital Reserve	Q1017			
2016 - 950th Anniversary (£330k in total over 3 years)		0	0	0
Various Capital Expenditure to be Financed				
CPO - Empty Homes Strategy -capital		(100,000)	(100,000)	0
		(100,000)	(100,000)	0
Disabled Facilities Grant	Q1008			
Disabled Facilities Grant - Salaries		(60,000)	(60,000)	(60,000)
Disabled Facilities Grant - Capital		(1,440,000)	(1,140,000)	(1,752,584)
		(1,500,000)	(1,200,000)	(1,812,584)
VAT reserve	Q1035			
		0	0	0
		0	0	0
Economic Development Reserve	Q1009			
General Fund		(401,000)	(401,000)	0
		(401,000)	(401,000)	0
Community Safety Reserve	Q1006			
General Fund		(250,000)	(250,000)	0
		(250,000)	(250,000)	0
Renewal & Repairs Reserve	Q1026			
(per programme of works - Appendix J)		(774,100)	(906,580)	(812,000)
Capital		0	0	0
Vehicles		0	0	0
Contingency		(100,000)	0	(100,000)
		(874,100)	(906,580)	(912,000)
Transition Reserve	Q1034			
Transfer to General Fund		(1,095,553)	(946,898)	(253,102)
Resilience and Stability Reserve	Q1031	0	(200,000)	0
Information Technology Reserve	Q1013			
(per programme of works - Appendix I)		(239,000)	(243,000)	(214,000)
		(239,000)	(243,000)	(214,000)
Invest to Save & Efficiency Reserve	Q1015			
Transfer to General Fund		(250,000)	(159,000)	(159,000)
Transfer to Capital Reserve		0	0	0
		(250,000)	(159,000)	(159,000)
Redundancy Reserve	Q1024			
Transfer to General Fund		(225,000)	(606,000)	(225,000)
		(225,000)	(606,000)	(225,000)

Earmarked Reserves	Cost Centre	2019-20 Original £	2019-20 Revised £	2020-21 Estimate £
Government Grant Reserve	Various			
capital				
(further details - Appendix F)		(94,000)	(139,556)	(70,000)
		(94,000)	(139,556)	(70,000)
Monuments in Perpetuity	Q1023			
capital				
Revenue	20303	(5,000)	(500)	(500)
		(5,000)	(500)	(500)
S106 Reserve				
Capital	Q2451	0	0	0
Revenue	Q1029	(17,000)	(20,000)	(20,000)
		(17,000)	(20,000)	(20,000)
On-Street Car Parking Surplus Reserve	Q1003			
Havelock Road Crossing	20292	0	0	(40,000)
		0	0	(40,000)
Risk Management Reserve	Q1014			
Risk Management Schemes	20135	(15,000)	(15,000)	(15,000)
		(15,000)	(15,000)	(15,000)
Ore Valley	Q1002	0	0	0
		0	0	0
Safer Hastings partnership		0	0	0
		0	0	0
Clinical Commissioning Group	Q1020			
Housing NHS CCG		0	0	0
Lets Get Moving		0	0	0
		0	0	0
Selective Licensing	Q1042			
Selective Licensing surplus / deficit	20195	0	(162,210)	(127,180)
		0	(162,210)	(127,180)
First World War Reserve	Q1010	0	0	0
		0	0	0
Housing Licensing Reserve	Q1036			
Housing Licensing Reserve		0	(17,000)	(39,000)
		0	(17,000)	(39,000)
Syrian Refugee Resettlement Programme	Q1033	0	0	0
		0	0	0
Community Housing Fund	Q1037			
Housing Administration		0	(2,830)	0
		0	(2,830)	0
Total use of earmarked and capital reserves *	A	(5,065,653)	(5,819,082)	(3,965,106)
Revenue use of earmarked reserves		(1,779,100)	(2,781,184)	(1,959,420)
Transfers between Reserves		0	421,751	0
Capital use of earmarked reserves		(1,540,000)	(1,240,000)	(1,752,584)
Transition Reserve and Com / Econ Reserve		(1,746,553)	(1,797,898)	(253,102)
Total Expenditure & Transfers (Excl General Reserve Use)	B	(5,065,653)	(5,397,331)	(3,965,106)

INFORMATION TECHNOLOGY RESERVE					Appendix I
	2019-20	2019-20	2020-21	2021-22	2022-23
	Original	Revised	ESTIMATE	ESTIMATE	ESTIMATE
	£'000	£'000	£'000	£'000	£'000
OPENING BALANCE :					
BALANCE B/FWD. AT 1 APRIL	**(55)**	**(153)**	**(124)**	**(124)**	**(124)**
EXPENDITURE :					
GOVCONNECT	9	0	9	9	9
MICROSOFT LICENSING FOR TEST ENVIRONMENT	0	0	0	0	0
RESILIENCE IMPROVMENTS	10	0	0	0	0
ANTI VIRUS	25	9	0	0	0
KACE SYSTEMS MANAGEMENT SERVER	0	5	0	0	0
SERVICE REVIEW EFFICIENCY PROJECTS	80	0	80	90	90
PC HARDWARE AND SOFTWARE	115	115	115	115	115
MICROSOFT 365	0	40	0	0	0
TELEPHONE SYSTEM UPGRADE	0	44	0	0	0
PLANNING SYSTEM UPGRADES	0	16	0	0	0
NEW ELECTORAL REGISTRATION SYSTEM	0	14	0	0	0
SERVER OPERATING SYSTEMS UPGRADES	0	0	10	0	0
	239	**243**	**214**	**214**	**214**
INCOME :					
CONTRIBUTIONS TO RESERVE - FROM GENERAL FUND	**(214)**	**(214)**	**(214)**	**(214)**	**(214)**
ADDITONAL CONTRIBUTIONS TO RESERVE - FROM GENERAL FUND	**0**	**0**	**0**	**0**	**0**
CLOSING BALANCE :					
BALANCE IN-HAND C/FWD. AT 31 MARCH	**(30)**	**(124)**	**(124)**	**(124)**	**(124)**

RENEWAL AND REPAIRS RESERVE

APPENDIX J

2018-19 Actual £		2019-20 ORIGINAL BUDGET £	2019-20 REVISED BUDGET £	2020-21 ESTIMATED BUDGET £
	OPENING BALANCE:			
1,627,865	BALANCE BROUGHT FORWARD	**1,329,395**	**1,599,714**	**1,201,134**
	INCOME:			
508,000	CONTRIBUTIONS TO RESERVE - GENERAL	**508,000**	**508,000**	**508,000**
508,000		**508,000**	**508,000**	**508,000**
	EXPENDITURE:			
536,151	PROGRAMMED REPAIRS AND REDECORATIONS	**265,500**	**199,490**	**282,500**
	OTHER REPAIRS & RENEWALS	**508,600**	**707,090**	**529,500**
536,151	SUB TOTAL	**774,100**	**906,580**	**812,000**
0	CAPITAL EXPENDITURE FUNDED FROM RESERVES	**0**	**0**	**0**
0	VEHICLES	**0**	**0**	**0**
0	PROVISION FOR UNEXPECTED ITEMS	**100,000**	**0**	**100,000**
536,151		**874,100**	**906,580**	**912,000**
	CLOSING BALANCE:			
1,599,714	BALANCE CARRIED FORWARD	**963,295**	**1,201,134**	**797,134**

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

Cost Centre	Reference	PROPERTY	DESCRIPTION OF WORK	2019-2020 Original Budget Plus C/F £	2019-2020 REVISED BUDGET £	2020-2021 ESTIMATE £	2021-2022 ESTIMATE £	2022-2023 ESTIMATE £
20116	PR001	TOWN HALL	Isolated internal / external redecs & repairs. MEWP high level stonework H&S inspection	20,000	10,000	20,000	30,000	30,000
20118	PR047 (OR216)	ALL BUILDINGS - ASBESTOS	Asbestos surveys and re-inspections	2,000	2,000	2,000	2,000	2,000
20118	PR048	ALL BUILDINGS - ASBESTOS	Works arising out of asbestos inspections	1,000	1,000	1,000	1,000	1,000
20118	PR049 (OR217)	ALL BUILDINGS - FIRE RISK	Fire risk assessments & works arising	6,000	6,000	6,000	6,000	6,000
20118	PR051 (OR238	ALL BUILDINGS - AIR CONDITIONING	AC energy efficiency certification (every 3 years)	4,000	4,000	4,000	4,000	4,000
20118	PR52 (OR239)	ALL BUILDINGS - ENERGY CERTIFICATIO	Annual Display Energy Certs for major bldgs	1,000	1,000	1,000	1,000	1,000
20118	PR54 (OR240)	ALL BUILDINGS - LEGIONELLA RISK	Automated checks & monitoring inc hygiene assess	30,000	30,000	25,000	20,000	25,000
20118	PR55 (OR225)	ALL BUILDINGS - ELECTRICAL TESTING	routine cyclical testing & works arising	6,000	6,000	6,000	6,000	6,000
20118	PR57 (OR241)	ALL BUILDINGS - SAFETY ANCHORS	Annual testing of access safety anchors	2,000	2,000	2,000	2,000	2,000
20118	PR58 (OR242)	ALL BUILDINGS - AUTOMATIC DOORS	Annual maintenance routine	500	500	500	500	500
20132	PR008	BANK BUILDINGS	External redecs to front elevation	0	0	0	8,000	0
20131	PR009	MICRO UNIT FACTORIES	External redecs	0	0	0	5,000	0
20131	PR037	FACTORY UNITS	External redecs/roof repairs to empty units	30,000	30,000	30,000	30,000	0
20132	PR041	OTHER BUILDINGS (ESTATES MISC.)	Essential upgrades/repairs.	10,000	10,000	10,000	10,000	0
20245	PR023	WEST HILL CLIFF RAILWAYS	Redecorations & repairs	5,000	5,000	5,000	5,000	0
20245	PR024	EAST HILL CLIFF RAILWAYS	Redecorations & repairs	5,000	5,000	5,000	5,000	0
20258	PR034	FALAISE FITNESS CENTRE	External redecorations.	0	0	0	25,000	0
20303	PR013	CREMATORIUM	Internal / External redecorations. Main GF offices	0	0	5,000	0	0
20303	PR014	CREMATORIUM - CREMATOR FT2	Rehearthing & rebricking of cremator FT2	46,000	12,000	46,000	7,000	7,000
20303	PR014	CREMATORIUM - CREMATOR FT3	Rebricking / rehearthing of cremator FT3	47,000	12,000	47,000	8,000	8,000

PROGRAMMED REPAIRS AND REDECORATIONS FINANCED BY THE RENEWAL AND REPAIRS RESERVE

Appendix J (con't)

Cost Centre	Reference	PROPERTY	DESCRIPTION OF WORK	2019-2020 Original Budget Plus C/F £	2019-2020 REVISED BUDGET £	2020-2021 ESTIMATE £	2021-2022 ESTIMATE £	2022-2023 ESTIMATE £
20303	PR52a	CEMETERY	Path health & safety repairs	15,000	15,000	16,000	8,000	8,000
20310	PR52	PARKS	Path health & safety repairs	10,000	10,000	10,000	10,000	10,000
20250	OR210	FRONT LINE	Concrete health & safety inspection & testing	12,000	12,000	6,000	6,000	6,000
20250	OR255	FRONT LINE	Concrete health & safety repair works	5,000	5,000	9,000	9,000	9,000
20250	PR025	FRONT LINE	Alcoves, seating, bottle alley - repairs/redecs	9,000	9,000	9,000	9,000	9,000
20252	PR029	FISHERMENS MUSEUM	External redecs/stonework pointing	0	0	0	2,000	0
20239	PR033	SUMMERFIELDS SPORTS CENTRE	External redecs	0	0	0	6,000	0
20310	PR026	SPORTS PAVILIONS	Int/ext redecs.	8,000	6,930	8,000	8,000	8,000
20310	PR044	ALEXANDRA PARK RAILINGS	Phased railing redecorations	5,000	5,060	5,000	5,000	5,000
20306	PR030	HASTINGS STATION - FISHING BOAT FEATURE	Survey repairs / redecs	0	0	2,000	0	0
20306	PR031	TOWN CENTRE UNDERPASS	Decoration	0	0	2,000	0	0
		Total of Programmed work		**279,500**	**199,490**	**282,500**	**238,500**	**147,500**

OTHER REPAIRS AND REDECORATIONS FINANCED BY THE RENEWAL AND REPAIRS RESERVE

Appendix J (con't)

Cost Centre	Reference	PROPERTY	DESCRIPTION OF WORK	2019-2020 Original Budget Plus C/F £	2019-2020 REVISED BUDGET £	2020-2021 ESTIMATE £	2021-2022 ESTIMATE £	2022-23 ESTIMATE £
20131	OR304	THEAKLEN DRIVE ROOFS	Single ply over-roofing of existing worn out membrane	70,000	70,000	0	0	0
20245	OR247	EAST HILL LIFT LOWER STATION	Roof replacement	0	0	0	30,000	0
20249	OR250	WHITE ROCK THEATRE	General repair contributions	15,000	15,000	0	20,000	20,000
20249	OR251	WHITE ROCK THEATRE	Contribution to large plant / boiler replacement	0	0	51,000	0	0
20310	OR231	CLIFF REPAIR SURVEY	Biennial or Sextennial survey	0	0	8,000	0	15,000
20313	OR211	HASTINGS COUNTRY PARK - TACKLEWAY WALL	Health & safety repairs and repointing	0	0	0	0	1,000
20310	OR320	RECREATIONAL GROUNDS	Emergency lighting upgrade	11,000	10,830	0	0	0
20259	OR326	INDOOR BOWLS CENTRE	Equality Act works	50,000	20,000	20,000	10,000	0
20150	OR328	STREET LIGHTS	White Rock Promenade Improvements	14,500	14,500	0	0	0
20259	OR331	SUMMERFIELDS LEISURE CENTRE	Landlord obligation - progressive replacement of existing swimming pool filtration plant	3,000	3,000	0	0	0
20259	OR332	SUMMERFIELDS LEISURE CENTRE	Installation of UV water hygiene treatment, if req'd and justified by FL due to alterations to regulations.	0	0	0	5000	0
20251	OR334	JOHNS PLACE MUSEUM	Essential stoneworks repairs to interior of window openings	3,014	0	3,000	10,000	0
20132	OR336	3 PLACE FARM COTTAGES, FAIRLIGHT	Repointing external walls (Energy efficiency measures no longer needed.	3,000	3,000	0	0	0
20310	OR339	CLIFFS	Cliff Repairs arising from engineer's inspections	74,690	260,000	100,000	50,000	50,000
20117	OR340	MURIEL MATTERS HOUSE REPLACEMENT RISING MAIN	Replacement of existing rising main in rear of building to avoid further flooding issues	20,000	20,000	10,000	0	0
20117	OR342	MURIEL MATTERS HOUSE - PASSENGER LIFTS	Heavy duty door closing mechanisms	0	0	0	5,000	0
20245	OR345	WEST HILL LIFT OLD MOTOR ROOM - STRUCTURAL REPAIRS	Provision of permanent support works to café floor and external area.	18,000	10,000	0	0	0
20245	OR347	WEST HILL LIFT - ATTENDANT'S & STORE AREAS	Works to patio waterproofing to prevent water ingress	18,000	0	0	18,000	0
20250	OR348	PROMENADE SURFACING	Further tarmac repairs to worst areas	29,806	29,800	30,000	50,000	50,000
20313	OR362	HCP PLACE FARM FARM YARD	Roadway resurfacing of farmyard	10,000	10,000	0	0	0
20310	OR364	BEXHILL REC WEST	Internal redecoration	0	0	10,000	0	0

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

Cost Centre	Reference	PROPERTY	DESCRIPTION OF WORK	2019-2020 Original Budget Plus C/F £	2019-2020 REVISED BUDGET £	2020-2021 ESTIMATE £	2021-2022 ESTIMATE £	2022-23 ESTIMATE £
20117	OR365	MURIEL MATTERS HOUSE	Lightning Protection	50,000	50,000	0	0	0
20310	OR366	ST LEONARDS GARDENS	Possible remedial works to sewer / drain	5,940	5,940	0	0	0
20251	OR371	HASTINGS MUSEUM - LIGHTING	Provide LED lighting	0	0	0	40,000	0
20116	OR372	TOWN HALL LED LIGHTING	Provide new LED lighting	0	0	0	30,000	0
20245	OR374	WEST HILL LIFT - ENTRANCE ROOF	Replace railings with galv. steel railings	0	0	5,000	0	0
20132	OR376	ESTATES - EPC UPGRADES	Alex Pk Depot work shop, office	15,000	17,130	0	0	0
20250	OR378	FORESHORE - FORMER LIFEGUARD STORE	Concrete repairs to prom slab	20,000	25,000	0	0	0
20132	OR379	ESTATES - INDUSTRIAL ESTATE SIGNAGE	Renew road and welcome signs	5,000	5,000	0	0	0
20287	OR380	PRIORY STREET MSCP	Structural Survey / Concrete Testing	13,000	13,000	0	0	0
20303	OR381	CEMETERY	Clear Trees for burial spaces	20,000	10,000	0	0	0
20310	OR384	ALEXANDRA PARK	Harmers Knee rail H&S	2,000	1,820	0	0	0
20310	OR385	ALEXANDRA PARK	Information Shelter lower decoration	0	0	2,000	0	0
20313	OR386	HASTINGS COUNTRY PARK	Farm Yard - levels phase 2	7,000	0	0	0	0
20310	OR390	OLD ROAR GILL	Bridge 2 repairs , replace, dredge/de-silt	4,000	2,530	0	0	0
20310	OR391	OLD ROAR GILL	Re fence , edge by ROW	4,000	4,510	0	0	0
20310	OR392	ALEXANDRA PARK	Lower Stream Culvert Wall	0	0	4,000	0	0
20310	OR394	SUMMERFIELDS WOODS	Folly Protection	3,600	3,600	0	0	0
20310	OR395	WHITE ROCK GARDENS	Demolition of old toilet block	0	0	0	9,000	0
20132	OR399	PELHAM ARCADE	Replace lead guttering with zinc	25,000	25,000	0	0	0
20132	OR400	OLD TOWN HALL	Replace lead guttering with zinc	30,000	30,000	0	0	0
20132	OR401	OLD TOWN HALL	Heating upgrade to improve EPC rating	10,000	10,000	0	0	0

OTHER REPAIRS AND REDECORATIONS FINANCED BY THE RENEWAL AND REPAIRS RESERVE

Cost Centre	Reference	PROPERTY	DESCRIPTION OF WORK	2019-2020 Original Budget Plus C/F £	2019-2020 REVISED BUDGET £	2020-2021 ESTIMATE £	2021-2022 ESTIMATE £	2022-23 ESTIMATE £
20131	OR403	CBCW MAIN ROOF	Over-roofing of profiled metal roof	0	0	0	0	150,000
20245	OR405	EAST HILL CLIFF RAILWAY - UPPER STATION	Pedestrian paths resurfacing - deterioration of existing patched up surface creating trip hazards	0	0	10,000	0	0
20250	OR406	WHITE ROCK PROMENADE	Removal of remaining vestigial cycle lane markings opposite Robertson Street.	1,000	1,000	0	0	0
20303	OR409	CEMETERY OFFICE	New wireless fire alarm system	7,000	6,430	0	0	0
20303	OR410	CEMETERY CHAPEL	Front window and stone reveal repairs	0	0	0	20,000	0
20313	OR411	HASTINGS COUNTRY PARK	Surface dressing to Coastguard Lane tarmac/asphalt path surfacing	0	0	25,000	0	0
20246	OR412	HASTINGS CASTLE	Curtain wall consolidation following emergency stabilisation works	25,000	0	25,000	0	0
20251	OR413	HASTINGS MUSEUM & ART GALLERY	Works to improve security following report	20,000	20,000	10,000	0	0
20245	OR415	WEST HILL CLIFF RAILWAY	Brick repairs following tunnel survey.	10,000	10,000	0	0	0
20259	OR416	SUMMERFIELDS LEISURE CENTRE	Re-tiling of edge of pool	70,000	0	100,000	0	0
20310	OR417	BEXHILL REC BRIDGE 6	Repair & redec to steel support (H&S)	0	0	2,000	0	0
20313	OR420	HCP LOWER ECCLESBOURNE GLEN	2 no. new boardwalk bridges (H&S)	0	0	3,000	0	0
20310	OR421	ST JOHNS PLAYGROUND	Stabilise playground retention wall	0	0	2,500	0	0
20310	OR422	TORFIELD MUGA	Survey of subsidence to MUGA corner	0	0	2,000	0	0
20310	OR423	SUMMERFIELDS WOODS	New bridge over heritage site Roman Bath (H&S)	0	0	4,000	0	0
20310	OR424	WEST MARINA GARDENS	Timber repairs & redecorate	0	0	0	2,000	0
20310	OR425	ALEX PARK SHORNDEN	Reservoir access point for Idverde	0	0	0	1,500	0
20313	OR426	HCP OLD VISITOR CENTRE	External & internal redecoration	0	0	0	4,000	0
20313	OR427	HCP HIGH WICKHAM	Replace knee rail with posts	0	0	0	2,500	0
20310	OR428	GLOUCESTER COTTAGE	Wall repairs ? (Contingency figure)	0	0	0	5,000	0
20310	OR429	GENSING GARDENS	Sandstone wall repairs	0	0	0	3,000	0

OTHER REPAIRS AND REDECORATIONS FINANCED BY THE RENEWAL AND REPAIRS RESERVE

Appendix J (con't)

Cost Centre	Reference	PROPERTY	DESCRIPTION OF WORK	2019-2020 Original Budget Plus C/F £	2019-2020 REVISED BUDGET £	2020-2021 ESTIMATE £	2021-2022 ESTIMATE £	2022-23 ESTIMATE £
20310	OR430	ST CLEMENTS CHURCH	Wall repairs ? (Contingency figure)	0	0	0	5,000	0
20306	OR431	TOWN CENTRE STATION BOAT	Stone dressing	0	0	0	2,000	0
20310	OR432	WHITE ROCK GARDENS EAST	Make good to pillar remains	0	0	2,000	0	0
20310	OR434	WHITE ROCK GARDENS WEST	Repair or replace tennis court fence	0	0	0	4,000	0
20310	OR435	ALEXANDRA PARK	Resin bonded paths phased resurfacing	0	0	0	5,000	0
20313	OR436	HCP YARD	Clear historic waste	0	0	0	6,000	0
20287	OR437	CARLISLE PARADE UGCP	Replacement of lighting	0	0	10,000	0	0
20251	OR438	HASTINGS MUSEUM & ART GALLERY	Lightning protection upgrade	0	0	5,000	0	0
20250	OR439	BOTTLE ALLEY	Cleaning of glass mosaic	0	0	10,000	0	0
20117	OR440	MURIEL MATTERS HOUSE	Heating pipe insulation	0	0	0	15,000	0
20250	OR441	WEST OF HAVEN	Installation of biodigesters inc. elec power	0	0	0	40,000	0
20313	OR442	HCP PATHS EAST COASTGUARD LANE	Reapply 'Fibredec' last laid in 2015	0	0	25,000	0	0
20116	OR443	TOWN HALL PASSENGER LIFT	Upgrade lift door operating gear	0	0		10,000	0
20117	OR444	MURIEL MATTERS HOUSE	Repairs to rear car park waterproofing	0	0	20,000	0	0
20250	OR445	WEST OF HAVEN	Resurface MP path to worn areas of mesh	0	0	6,000	0	0
20250	OR446	CINQUE PORTS WAY	Resurface highway tarmac (non ESCC)	0	0	15,000	0	0
20250	OR447	MILLSTONE FOUNTAIN	Replace inlet grille & improve internals	0	0	0	2,000	0
20250	OR448	BOTTLE ALLEY UPPER	Railing replacement - heritage railings poor	0	0	0	25,000	0
20245	OR449	EAST HILL LIFT PC	Interior refit due to dampness	0	0	10,000	0	0
		Total of Other Work		**687,550**	**707,090**	**529,500**	**337,000**	**286,000**

PIER Outcomes **Appendix K**

		Cost Centre	Revised 2019-20 £'000	2020-21 £'000	2021-22 £'000	2022-23 £'000
	PIER Savings identified in 2019/20 for 2020/21 (not included elsewhere)					
1	Street Cleaning	20295	0	12	12	12
2	Parks and Open Spaces	20310	0	7	7	7
3	Business Support	20111	0	5	5	5
4	Community Contact Centre - Staff Savings	20113	0	23	23	23
5	Revenues and Benefits - Staff Savings	Various	0	150	150	190
6	Community Cohesion - reduce compliance officer post	20215	0	15	15	15
7	Theatre - Reduced Contribution	20249	0	100	200	200
8	Community Partnership Fund - Cease from 2021/22	20219	0	8	156	156
9	ICT Manager post	Various	44	44	44	44
	Total Prior year identified savings for 2020-21 onwards		**44**	**364**	**612**	**652**
	PIER Savings identified for 2020/21 Budget Process					
10	Insurance contract retender	Various	150	150	150	150
11	Cemetery rate revaluation appeal	20303	86	37	37	37
12	Accountancy - Reduced hours of a number of posts	20109	0	30	30	30
13	ICT - Delete ICT support officer currently vacant	20121	0	20	20	20
14	Continuous Improvement & Democratic Services - Delete Policy & Performance Co-ordinator post	20102	0	30	30	30
15	HR/Business Support team - Restructure team	20111	0	10	10	10
16	Pensions Contributions - Implement salary sacrifice scheme	20135	0	17	17	17
17	Legal Services - Delete vacant senior legal admin post and other savings	20106	0	10	10	10
18	CCTV - Cease service activity	20290	0	150	150	150
19	Hate Crime - Budget given to Hastings Voluntary Action ceased	20299	0	20	20	20
20	Waste and Street Cleansing - Reduction in agency staff costs	Various	0	30	30	30
21	Consolidation of crown green bowling facilities. Reduction of putting facilities.	20310	0	20	20	20
22	Economic Development - Delete Economic Development Officer post	20208	0	31	31	31
23	Regeneration and Culture - Delete Community Cohesion Officer post	20215	0	20	20	20
24	Community Partnership Fund - Project Support and compliance officer post to be transferred to Foreshore Trust	20219	0	15	15	15
25	Resorts Services - Resort Facilities Officer - Reduce hours and responsibility	20176	0	9	9	9
26	Regeneration and Culture - Cultural Regeneration Officer reduction in hours	20212	0	27	27	27
27	Sports Management - Seasonal Sports worker post deleted	20257	0	10	10	10
28	Leisure Services - Delete 2 x play worker posts	20265	0	7	7	7
29	Tourism Marketing - Reduce hours of TIC – reduce call on casual staff	20225	0	11	11	11
30	Museum Services - reduced hours.	20251	0	7	7	7
31	Development Control Restructure	20182	0	104	104	104
32	Housing Options - Delete Housing Solutions Officer	20172	0	7	7	7
33	Housing Options - Fund expenditure by FHSG	20172	0	32	32	32
34	Housing Options - Delete Administration Officer post	20172	0	9	9	9
35	Community Contact Centre - Delete CCC Team Leader post	20113	0	30	30	30
36	LLPG & Land Charges - Delete the LLPG & Land Charges Manager post	20173	0	52	52	52
37	Licensing - Delete Licensing Manager post	20281	0	29	34	34
38	Communications - Restructure communications team and refocus work	20324	0	30	30	30
39	Senior Management restructure	20135	0	130	260	260
40	Reduce support to In 2 Play	20267	0	10	20	29
41	Create Admin Hub	Various	0	0	30	30
42	Housing Renewal	20191	0	102	102	102
43	Regeneration - Senior manager cost part funded by grant funding for 1 year	20208	0	25	0	0
44	Active Hastings - Core funding reduced	20264	0	24	24	24
45	Stade Saturdays - Core funding reduced	20212	0	10	10	10
46	**PIER Savings identified for 2020/21 Budget Process**	**Sub-total**	**236**	**1,255**	**1,405**	**1,414**
47	Land sales - Income generated by proceeds from land sales being invested.	Various	0	75	150	150
48	Freedom Leisure Contract Extension		0	30	30	30
49	Commercial Property/Economic Development income generated from further £10m investment	20132	6	100	200	200
	PIER Additional Income Identified 2020/21 Budget Process (excluding fees and charges)	**Sub-total**	**6**	**205**	**380**	**380**
		Total PIER Savings	**286**	**1,824**	**2,397**	**2,446**
	Growth Items					
50	Renewable Energy Commitment additional FTE	20321	0	(50)	(50)	(50)
51	Housing Temporary Accommodation costs	20182	(386)	(386)	(386)	(386)
52	Development - Bohemia feasibility and land studies	20209	0	(65)	0	0
53	Cliffs works	20310	0	(100)	(100)	(100)
54	Reservoir works	42346	0	(68)	(68)	(68)
55	Council Tax Reduction Scheme	Various	0	(35)	(35)	(35)
56	Land Charges - reduced Income	20181	(82)	(82)	(82)	(82)
57	Cliff railway lost income from downtime and repair costs.	20245	(100)	0	0	0
	Total Growth	**Sub-total**	**(568)**	**(786)**	**(721)**	**(721)**
	Net Overall Savings	**Total**	**(282)**	**1,038**	**1,676**	**1,725**

Activity/Budget Cost Code	Proposal	Staffing/ Other Savings/ Income (£)			HBC Staff impact (net loss)	Equalities Impact Assessment and service impact
		2020/21	2021/22	2022/23		
PIER Savings identified in 2019/20 for 2020/21						
1 Street cleansing service	• Reduction in assumptions about fuel costs • Re-charging accurate costs to FT for beach cleaning • Cost of year 1 process mapping and systems support met from prioritising existing resources	£12,000	£12,000	£12,000	N/A	Decision was made as part of the 19/20 Budget Process
2 Parks and Open Spaces - Grounds maintenance	Reduce grounds maintenance costs by: prioritising key areas Alexandra Park, St Leonards Gardens (green flags) and lower part of Warrior Square and Seafront.	£7,000	£7,000	£7,000	N/A	Decision was made as part of the 19/20 Budget Porcess
3 Business Support	Reduction to training budget due to increased usage of e-learning suite of training packages	£5,000	£5,000	£5,000	N/A	Decision was made as part of the 19/20 Budget Porcess
4 Community Contact Centre	Delete 1 vacant Customer Support Officer post	£23,000	£23,000	£23,000	1 FTE	Decision was made as part of the 19/20 Budget Porcess
5 Revenues and Benefits - Staff Savings	Staff reductions in line with transition to Universal Credit and implementation of new technology enabling self-service for more customers (2 vacant posts, one long-term agency worker)	£150,000	£150,000	£190,000	3 FTE	Decision was made as part of the 19/20 Budget Porcess
6 Community Cohesion	Reduce Compliance Officer post – in line with changes to CPF funding	£15,000	£15,000	£15,000	0.5 FTE	Decision was made as part of the 19/20 Budget Process
7 White Rock Theatre - Reduced Contribution	Reduced contribution following Cabinet decision to negotiate terms for the extension of the current contract with HQ Theatres & Hospitality for a period of 5 years	£100,000	£200,000	£200,000	N/A	Decision was made as part of the 19/20 Budget Process
8 Community Partnership Fund	Cease from 2021/22	£8,000	£156,000	£156,000	N/A	Decision was made as part of the 19/20 Budget Process The impact was identified as high and the Council has explored options for alternative funding sources together with other key partners.
9 ICT Manager	Delete vacant ICT Manager post.	£44,000	£44,000	£44,000	1 FTE	No disproportionate impact has been identified on any of the protected characteristics groups as identified by the Equality Act 2010. The service impact will be on internal support and delivery of ICT support and developments.
Sub Total	**PIER Savings identified in 2019/20**	**£364,000**	**£612,000**	**£652,000**	**5.50**	

Activity/Budget Cost Code	Proposal	Staffing/ Other Savings/ Income (£) 2020/21	2021/22	2022/23	HBC Staff impact (net loss)	Equalities Impact Assessment and service impact
PIER Savings identified for 2020/21 Budget Process						
10 Insurance contract retender	Savings resulting from retendering insurance contract.	£150,000	£150,000	£150,000	N/A	N/A
11 Cemetery rate revaluation appeal	Appeal of ratings valuation	£37,000	£37,000	£37,000	N/A	N/A
12 Accountancy	Reduced hours of a number of posts (achieved in 19/20)	£30,000	£30,000	£30,000	Reduced by 0.6 FTE	No disproportionate impact has been identified on any of the protected characteristics groups as identified by the Equality Act 2010. The service impact will be on the internal support team.
13 ICT	Delete vacant ICT support officer post	£20,000	£20,000	£20,000	1 FTE	No disproportionate impact has been identified on any of the protected characteristics groups as identified by the Equality Act 2010. The post has been vacant and team has re-ordered work to accommodate.
14 Continuous Improvement and Democratic Services	Delete 1 x Policy and Performance Co-ordinator post (0.8FTE)	£30,000	£30,000	£30,000	0.8 FTE	No disproportionate impact has been identified on any of the protected characteristics groups as identified by the Equality Act 2010. The service impact will be on the internal team.
15 HR/Business Support team	Delete vacant Senior HR officer (0.6FTE) Create new grade 10 trainee HR officer (1FTE) Create Little Gate Farm apprentice (0.4 FTE) (already in place)	£10,000	£10,000	£10,000	Net 0.8FTE gain (lower graded posts)	A positive impact has been identified as HBC are now facilitating a colleague with learning disabilities to become a valued member of our team
16 Pensions Contributions	Undertake work to implement AVC salary sacrifice scheme to save on NI payments at no disadvantage to HBC or employee	£17,000	£17,000	£17,000	N/A	N/A
17 Legal Services	Delete vacant senior legal administration post and replace with 0.8FTE administration officer post. Plus licenses, supplies and services savings	£10,000	£10,000	£10,000	0.2 FTE	No disproportionate impact has been identified on any of the protected characteristics groups as identified by the Equality Act 2010. The service impact will be on the internal team.
18 CCTV	Cease activity and mothball equipment Savings will arise from: • Deleting 4 posts • Cease monitoring CCTV cameras owned by HBC • Cease maintenance payments to Sussex Police • Cease payments to contractors for maintenance of car park and buildings cameras and data transmission associated with this infrastructure. • Stop operating: o town centre pedestrianised area rising bollards on behalf of ESCC o access arrangements to the Stade - move to fully automated user fob system	£150,000	£150,000	£150,000	4 FTE	Medium/High impact – The council acknowledges that this service is valued by the community. However it is not a statutory function and the council's financial position means we are unable to continue to provide this service.The Police service will continue (as they do now) to take control of the cameras whenever necessary.

Activity/Budget Cost Code	Proposal	Staffing/ Other Savings/ Income (£) 2020/21	2021/22	2022/23	HBC Staff impact (net loss)	Equalities Impact Assessment and service impact
	o as the 'control' for the shopwatch and barwatch radio networks • Introduce alternative emergency call handling arrangements for the Priory Street car park lift. Some savings will be re-directed to: • Extend externalized out of hours cover to times covered by CCTV team • Different lone worker monitoring arrangements for services that use the CCTV control room staff					
19 Hate Crime	Funding to Hastings Voluntary Action ceased -	£20,000	£20,000	£20,000	N/A	High impact – The council acknowledges that this will have a disproportionate impact on those groups experiencing hate crime, however our financial position means we are unable to continue our support in this way. The Police have statutory duties in relation to hate crime and we will continue to work with them and other partners through the Community Safety Partnership to mitigate the effects of hate crime in Hastings.
20 Waste and Street Cleansing	Reduction in agency staff costs by moving to new weekend shift patterns. Other supplies and services	£30,000	£30,000	£30,000	N/A	No disproportionate impact has been identified on any of the protected characteristics groups as identified by the Equality Act 2010. No negative service impact has been identified.
21 Consolidation of crown green bowling facilities. Reduction of putting facilities.	Reduce operating costs by no longer providing bowling at Alexandra Park and West Marina Gardens, and also cease putting at West Marina Gardens. Thereby consolidating all crown green bowling and putting to the existing facilities at White Rock Gardens.	£20,000	£20,000	£20,000	N/A	Medium – The council acknowledges that this will have a disproportionate impact to these service users, however our financial position means we are unable to continue our support in this way.
22 Economic Development	Delete Economic Development Officer post	£31,000	£31,000	£31,000	0.72FTE	Medium impact – the council acknowledges this post supports various small businesses and SMEs, however, other organisations offer support and the council are unable to continue a dedicated business support function in this way.
23 Regeneration and Culture	Delete Community Cohesion Officer post, and retain funds to secure support for the Youth Council.	£20,000	£20,000	£20,000	1 FTE	High - A key function of this post is to support the Youth Council, however the council is retaining funds to secure alternative support for the Youth Council.
24 Community Partnership Fund	0.5FTE* Project Support and compliance officer post to be transferred to Foreshore Trust to administer the FT grants programme from 2020/21	£15,000	£15,000	£15,000	N/A	N/A

Activity/Budget Cost Code	Proposal	Staffing/ Other Savings/ Income (£) 2020/21	2021/22	2022/23	HBC Staff impact (net loss)	Equalities Impact Assessment and service impact
25 Resorts Services	Change role of Resort Facilities officer - Reduce hours and responsibility 0.45 FTE	£9,000	£9,000	£9,000	0.55 FTE	No disproportionate impact has been identified on any of the protected characteristics groups as identified by the Equality Act 2010. The service impact will be limited by retention of 0.45FTE for essential taks and the introduction of the new administration hub.
26 Regeneration and Culture	Change role of Cultural Regeneration Officer to focus on specific duties - Reduce hours by 0.5FTE and responsibility	£27,000	£27,000	£27,000	0.5 FTE	No disproportionate impact has been identified on any of the protected characteristics groups as identified by the Equality Act 2010. The service impact will be limited by retention of 0.5FTE for essential tasks and the Museum and Cultural Manager leading on strategic engagement.
27 Sports Management	Seasonal Sports worker – delete when bowls consolidated (related to 21 above)	£10,000	£10,000	£10,000	0.7 FTE	As 39 above
28 Leisure Services	Delete 2x casual play worker posts (already achieved).	£7,000	£7,000	£7,000	0.32 FTE	High impact our future play activity will be targeted closely at deprived communities where our very limited resources may be applied
29 Tourism Marketing	Reduce hours of TIC – reduce call on casual staff	£11,000	£11,000	£11,000	N/A	No disproportionate impact has been identified on any of the protected characteristics groups as identified by the Equality Act 2010. No negative service impact has been identified - the days when hours will be reduced are in mid-winter when visitor numbers are very low.
30 Museum Services	Museum – reduce hours.	£7,000	£7,000	£7,000	N/A	No disproportionate impact has been identified on any of the protected characteristics groups as identified by the Equality Act 2010. No negative service impact has been identified - the days when hours will be reduced are outside of the peak visitor times.
31 Development Control Restructure	Restructure of Development Control Team completed in 19/20 resulting in some posts being deleted and some new posts being created. Net loss of 3.72 FTE but no further redundancies as posts are vacant.	£104,000	£104,000	£104,000	Net loss of 3.72 FTE	No disproportionate impact has been identified on any of the protected characteristics groups as identified by the Equality Act 2010. The restructure has been implemented. However, the effect of the changes is still to be fully assessed as some posts remain vacant due to difficulties in recruiting suitable staff. The impact will continue to be monitored throughout the year in terms of planning performance.
32 Housing Options	Delete Housing Solutions Officer post	£7,000	£7,000	£7,000	0.5FTE	The primary role of the postholder is assist residents who might otherwise require DFG adaptations secure alternative housing solutions in the private or social housing sectors. The council currently part funds the post with the County Council. Future years funding is at risk. Bringing forward the conclusion of the scheme would likely impact upon demand for DFGS but there is sufficient funds within the capital allocation too accommodate this at present. Therefore whilst regrettable, mitigation is available.
33 Housing Options	Fund a Housing Options Officer post from Flexible Homlessness Support Grant	£32,000	£32,000	£32,000	N/A	No impact on service delivery

Activity/Budget Cost Code	Proposal	Staffing/ Other Savings/ Income (£) 2020/21	2021/22	2022/23	HBC Staff impact (net loss)	Equalities Impact Assessment and service impact
34 Housing Options	Delete Administration Officer post	£9,000	£9,000	£9,000	0.5 FTE	The remaining staffing levels remain adequate to meet our statutory duties and support vulnerable residents
35 Community Contact Centre	Following further channel shift and increased on-line services delete 1 x CCC Team Leader post	£30,000	£30,000	£30,000	1 FTE	Medium - We will continue to promote channel shift to My Hastings and self-service for those residents who can use these channels, the remaining staff resources will be prioritised to support most vulnerable residents.
36 LLPG & Land Charges	Delete the LLPG & Land Charges Manager post	£52,000	£52,000	£52,000	1 FTE	No disproportionate impact has been identified on any of the protected characteristics groups as identified by the Equality Act 2010. The remaining resource levels are considered appropriate to meet our statutory and performance targets. Elements of this work are due to reduce in future years in line with the governments commitment to transfer some functions of land charge work to land registry.
37 Licensing	Delete Licensing Manager post from 30th June 2020	£29,000	£34,000	£34,000	0.6 FTE	No disproportionate impact has been identified on any of the protected characteristics groups as identified by the Equality Act 2010. The remaining resource levels are considered appropriate to meet our statutory and performance targets.
38 Communications	Restructure communications team Delete: • Communications Manager post 1FTE (£48k saving) • Vacant 0.8FTE Graphic Designer post (£25k saving) Create 1.5 FTE grade 8 officers. Retain some budget to purchase external support only if essential.	£30,000	£30,000	£30,000	0.3 FTE Net loss Loss 1.8 FTE + 1.5FTE lower graded posts	No disproportionate impact has been identified on any of the protected characteristics groups as identified by the Equality Act 2010. The remaining resource levels are considered appropriate to meet our statutory and performance targets.
39 Senior Management restructure	By autumn 2020 Delete 1 x Director post Delete 1 x Assistant Director post Delete 2 x PAs from senior PAs pool	£130,000	£260,000	£260,000	4 FTE	No disproportionate impact has been identified on any of the protected characteristics groups as identified by the Equality Act 2010. The service impact will occur from a reduction in senior leadership capacity.
40 In 2 Play	Taper support to In 2 Play to operate the Adventure Play Ground over a number of years.	£10,000	£20,000	£29,000	N/A	High – The council acknowledges that this will have a disproportionate impact to these service users, however our financial position means we are unable to continue our support in this way.
41 Create admin hub	Project undertaken in 2020 to identify new a service support model to provide appropriate levels of admin, technical and project support across HBC as the council continues to reduce in overall size.	£0	£30,000	£30,000	N/A	N/A

Activity/Budget Cost Code	Proposal	Staffing/ Other Savings/ Income (£)			HBC Staff impact (net loss)	Equalities Impact Assessment and service impact
		2020/21	2021/22	2022/23		
42 Housing Renewal	1st stage restructure of Housing Renewal Team. Team Leader Post and an Environmental Health Practitioner Post moved to Selective Licensing. The Selective Licensing posts are funded by income. The final restructure will be completed by November 2020 once a decision has been made about a replacement Licensing Scheme subject to Cabinet and Secretary of State approval.	£102,000	£102,000	£102,000	N/A	N/A
43 Regeneration	Senior manager post – core cost part funded by grant funding for one year	£25,000	£0	£0	N/A	N/A
44 Active Hastings	Core funding reduced by £24k	£24,000	£24,000	£24,000	N/A	Low impact on a high impact service - the model applied means the team will continue to seek external funding to support activities and will continue to target the most vulnerable groups/communities
45 Stade Saturdays	Reduce core budget to £5k	£10,000	£10,000	£10,000	N/A	No disproportionate impact has been identified on any of the protected characteristics groups as identified by the Equality Act 2010. The service impact will be a fewer number of council supported events on the Stade Open Space.
Sub Total	**PIER Savings identified in 2020/21**	**£1,255,000**	**£1,405,000**	**£1,414,000**	**21.21**	
PIER Income identified for 2020/21 Budget Process						
46 Commercial Property/economic development	Indicative income from investing a further £10m in economic development schemes commercial property	£100,000	£200,000	£200,000	N/A	N/A
47 Freedom Leisure Contract Extension	Contract extension for a further 2 years. Contract price reduced by £30,000 p.a. from 2020/21	£30,000	£30,000	£30,000	N/A	N/A
48 Land sales	Indicative capital receipts from sale e.g. Harrow Lane, Mayfield E and Bexhill Road South and investment of proceeds to generate interest or finance capital expenditure.	£75,000	£150,000	£150,000	N/A	N/A
Sub Total	**PIER Savings identified in 2020/21**	**£205,000**	**£380,000**	**£380,000**	**0.00**	

Activity/Budget Cost Code		Proposal	Staffing/ Other Savings/ Income (£)			HBC Staff impact (net loss)	Equalities Impact Assessment and service impact
			2020/21	2021/22	2022/23		
Activity/Budget Cost Code		**Proposal**	**Growth (£)**			**HBC Staff impact**	**Equalities Impact Assessment**
			2020/21	**2021/22**	**2022/23**		
Growth							
49	Climate change	Create new specialist Project Officer post to deliver the council's renewable energy commitment.	-£50,000	-£50,000	-£50,000	Increase by 1FTE	Service impact: The council is prioritising work around climate change and renewable energy creation.
50	Housing	Temporary accommodation costs including borrowing.	-£386,000	-£386,000	-£386,000	N/A	Service impact: The council is prioritising investment to manage the housing needs of homeless people and to minimise the legth of stay in inadequate and expensive B & B accommodation.
51	Development	Bohemia feasibility and land studies £65k growth for site surveys (£19k left from this year plus ACE funding)	-£65,000	£0	£0	N/A	N/A
52	Cliffs works	Ongoing cliff maintenance revenue costs	-£100,000	-£100,000	-£100,000	N/A	N/A
53	Reservoir works	Cost of borrowing £1m over 20-40 years	-£68,000	-£68,000	-£68,000	N/A	N/A
54	Council Tax Reduction Scheme	Council Tax Reduction Scheme 100% our share	-£35,000	-£35,000	-£35,000	N/A	Equalities impact - this scheme enables the council to support our poorest residents with a 100% discount on their council tax bill
55	Land charges - reduced income	Reduction in income	-£82,000	-£82,000	-£82,000	N/A	N/A
	Sub Total	**Growth**	**-£786,000**	**-£721,000**	**-£721,000**	**1.00**	

SUMMARY	Staffing/ Other Savings/ Income (£)			HBC Staff impact (net loss)
	2020/21	2021/22	2022/23	
PIER Savings identified in 2019/20	£364,000	£612,000	£652,000	5.50
PIER Savings identified in 2020/2021	£1,255,000	£1,405,000	£1,414,000	21.21
PIER **Income** identified in 2020/2021	£205,000	£380,000	£380,000	0.00
Savings subtotal	**£1,824,000**	**£2,397,000**	**£2,446,000**	**26.71**
Growth	-£786,000	-£721,000	-£721,000	1.00
TOTAL	**£1,038,000**	**£1,676,000**	**£1,725,000**	**25.71**

Land and Property Disposal Programme

	Estimated Receipts £
2019/20	
Sale of Ex Council Houses	
Other	
	185,000
2020/21	
Harrow Lane	
Mayfield E	
Bexhill Road South	
West Marina (long leasehold - freehold on houses)	
Old Town Hall (subject to rental bids received)	
Land at Whitworth Road	
Sale of Ex Council Houses	
Other	
	5,185,000
2021/22	
Sale of Ex Council Houses	
Other	
	185,000
2022/23	
Sale of Ex Council Houses	
Other	
	185,000
2023/24	
Sale of Ex Council Houses	
Other	
	185,000

Appendix M

Council Tax – Overall

The Council is recommended to resolve as follows:

1. It be noted that the Council has calculated the Council Tax Base 2020/21 for the whole Council area as 26,197.0 [Item T in the formula is Section 31B of the Local Government Finance Act 1992, as amended (the "Act")]
2. Calculate that the Council Tax requirement for the Council's own purposes for 2020/21 is £7,093,624
3. That the following amounts be calculated for the year 2020/21 in accordance with Sections 31 to 36 of the Act:

(a)	83,986,195	Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils
(b)	76,892,571	Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act
(c)	7,093,624	Being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31B of the Act)
(d)	270.78	Being the amount at 3(c) above (Item R), all divided by Item T (1(a) above), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year
(e)	£0	Being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act
(f)	270.78	Being the amount at 3(d) above less the result given by dividing the amount at 3(e) above by Item T (1(a) above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish precept relates

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

5. That the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts shown in the tables below as the amounts of Council Tax for 2020/21 for each part of its area and for each of the categories of dwellings.

	Valuation Bands							
	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Hastings Borough Council	180.52	210.61	240.69	270.78	330.95	391.13	451.30	541.56
East Sussex County Council (Including Adult Social Care +3%)	994.78	1,160.58	1,326.37	1,492.17	1,823.76	2,155.36	2,486.95	2,984.34
East Sussex Fire Authority	63.69	74.30	84.92	95.53	116.76	137.99	159.22	191.07
Police and Crime Commissioner	133.27	155.49	177.7	199.91	244.33	288.76	333.18	399.82
Aggregate of Council Tax Requirements	1,372.26	1,600.98	1,829.68	2,058.40	2,515.80	2,973.24	3,430.65	4,116.79

6. The Council's basic amount of Council Tax for 2020/21 is not excessive as determined in accordance with principles approved under Section 52ZB Local Government Finance Act 1992. To be deemed excessive the Borough's Council Tax would need to be increased by 2%, or more than 2%, and also more than £5 in 2020/21.

CORPORATE SERVICES AND GOVERNANCE **Appendix O**

Reference NO.	2018-19 ACTUAL	SERVICE	2019-20 ORIGINAL BUDGET	2019-20 REVISED BUDGET	**2020-21 ESTIMATED OUTTURN**
	£	**SUMMARY OF REVENUE ESTIMATES**	£	£	£
CR1	171,559	20101 - Director of Corporate Services and Governance	179,380	176,860	**179,560**
CR2	324,891	20102 - Corp. Policy, Partnerships and Performance	349,060	312,220	**269,230**
CR3	203,800	20103 - Electoral Services	218,000	213,890	**221,870**
CR4	358,889	20104 - Estates Services	383,950	379,030	**388,380**
CR5	211,921	20105 - Building Surveyors	219,680	216,000	**221,210**
CR6	415,093	20106 - Legal Services	458,360	463,000	**462,340**
CR7	200,067	20107 / 20108 - Audit and Investigations Services	224,130	238,440	**232,490**
CR8	948,144	20109 - Accountancy Services	982,720	995,450	**1,014,010**
CR9	2,491,262	20110 - Revenues Services	2,560,010	2,388,910	**2,384,900**
CR10	652,649	20111 - People, Customer and Business Support	619,330	610,750	**617,280**
CR11	218,074	20112 - Corporate Personnel Expenses	187,980	196,830	**185,670**
CR12	832,608	20113 - Contact Centre	927,930	850,580	**856,270**
CR13	267,402	20115 - Transformation Team	314,370	279,860	**265,160**
CR14	12,507	20116 - Admin Buildings - Town Hall	51,420	75,800	**50,290**
CR15	473,905	20117 - Admin Buildings - Murial Matters House	488,940	522,590	**486,760**
CR16	78,633	20118 - Admin Buildings - General Expenses	75,870	75,940	**71,320**
CR17	60,899	20119 - Admin Buildings - Corporate Archive / DSO Operational Building	63,200	60,900	**57,270**
CR18	1,174,201	20120 - Corporate Expenses	1,393,170	1,306,920	**1,244,500**
CR19	734,964	20121 - IT	783,040	733,560	**714,920**
CR20	295,293	20122 - IT Reserve / Hardware	411,670	337,540	**310,940**
CR21	42,792	20123 - Land & Property Systems-GIS	44,170	45,990	**48,170**
	(10,169,274)	Less recharges to other services	(10,936,380)	(10,481,060)	**(10,282,540)**
	(0)	Unallocated Balance	0	0	**0**
CR22	787,289	20124 - Corporate Management Expenses	776,880	537,890	**575,430**
CR23	730,365	20125 - Non Distributed Costs	767,350	769,960	**820,000**
CR24	1,521,798	20126 / 20127 / 20128 - Benefit Payments and Administration	1,288,640	1,470,070	**1,475,400**
CR25	521,691	20129 - Council Tax and Business Rates Collection	684,610	615,620	**613,820**
CR26	(349,831)	20130 - Employment Areas	(349,480)	(368,830)	**(363,900)**
CR27	(1,267,722)	20131 - Factory Units	(1,175,630)	(1,232,250)	**(1,324,650)**
CR28	(2,237,490)	20132 - Farms and Other Properties	(2,713,350)	(2,668,710)	**(3,265,520)**
CR29	50,777	20135 - Other Expenditure	576,000	276,620	**293,600**
CR30	200,506	20136 / 20137 - Registration of Electors	211,750	215,810	**213,220**
CR31	828,403	20138 - Cost of Democracy	893,300	890,080	**898,020**
CR32	228,490	20139 / 20140 - Election Expenses	126,970	123,590	**200,940**
CR33	25,439	20144 - Local Strategic Partnership	27,330	24,450	**21,080**
CR34	20,394	20145 - Sustainable Energy & Development	23,970	19,360	**16,690**
CR35	8,480	20146 - Public Consultation	9,110	8,150	**7,030**
CR37	14,811	20148 - Shelters and Seats	19,250	18,130	**18,250**
CR38	7,718	20149 - Street Naming and Numbering	8,210	8,350	**8,210**
CR39	65,926	20150 - Decorative Lighting	80,570	116,770	**87,870**
CR40	18,194	20318 - Corporate Systems ERP	0	0	**0**
CR41	0	20151 / 20152 / 20155-61 - Foreshore Trust	0	0	**0**
CR42	104,720	20324 - Communications and Design	111,390	100,380	**80,840**
		Estimated Redundancy Costs	0	258,000	**0**
	1,279,957		1,366,870	1,183,440	**376,330**

Reference NO.	2018-19 ACTUAL	SERVICE	2019-20 ORIGINAL BUDGET	2019-20 REVISED BUDGET	**2020-21 ESTIMATED OUTTURN**
	£	**SUMMARY OF REVENUE ESTIMATES**	£	£	**£**
OS1	976,078	20169 - Environmental Services Management & Administration	1,047,060	1,008,360	**1,023,960**
OS2	417,422	20170 - Amenities Administration	438,800	417,750	**392,220**
OS3	538,283	20316 - Waste Service - Management and Admin	462,690	418,980	**465,010**
OS4	808,396	20317 - Parking Service - Management and Admin	933,490	820,410	**871,090**
OS5	859,180	20172 - Administration - Housing	893,200	985,320	**978,670**
OS6	139,152	20173 - Local Land Planning Management & Admin	143,550	6,050	**(45,130)**
OS7	182,401	20174 - Director of Operational Services	186,430	185,360	**189,010**
OS8	260,085	20175 - Leisure Administration	263,530	297,750	**283,930**
OS9	179,081	20176 - Resort Services Management and Administration	156,290	227,020	**161,150**
OS10	345,813	20177 - Regeneration Administration Division	341,880	555,350	**368,570**
OS11	356,610	20178 - Communications & Marketing	365,970	377,300	**353,420**
	(5,066,676)	Less recharges to other services	(5,232,890)	(5,299,650)	**(5,041,900)**
	(4,174)	Unallocated Balance	0	0	**0**
OS12	39,199	20179 - Building Control	42,680	53,060	**61,000**
OS13	951,771	20180 - Development Control & Conservation	944,630	905,920	**788,360**
OS14	(170,455)	20181 - Local Land Charges Register	(107,770)	(104,210)	**(103,230)**
OS15	1,012,282	20182 - Homelessness	915,018	1,229,880	**1,048,290**
OS16	(73,515)	20207 - Rough Sleeper Prevention	0	0	**0**
OS17	(501)	20206 - Syrian Resettlement Programme	(160)	0	**0**
OS18	35,431	20184 - Social Lettings	(10,610)	74,350	**68,350**
OS19	146,659	20185 - Homelessness Strategy	150,250	132,190	**123,750**
OS20	71,470	20186 - Housing Register	73,400	88,920	**86,080**
OS21	19,378	20187 - Funded Deposits	23,200	23,200	**0**
OS22	18,438	20188 - Youth Homelessness	22,220	15,610	**16,170**
OS23	378,487	20191 - Housing Renewal	427,860	465,130	**355,750**
OS24	(130,576)	20193 - Rogue landlords	0	52,840	**77,740**
OS25	(652,668)	20195 - Selective licensing	(3,890)	162,210	**127,180**
OS26	(184,337)	20196 - Housing Licensing	(19,440)	9,580	**32,230**
OS27	(1,722)	20197 - Housing Solution Services	33,900	89,120	**13,760**
OS28	11,251	20199 - Coastal Space Enforcement Activities	11,650	0	**0**
OS29	20,689	20200 - Dangerous Structures	2,500	7,500	**2,500**
OS30	239,763	20202 - Housing - NHS Clinical Commissioning Group CCG	(180)	0	**0**
OS31	31,302	20204 - Sustainable Housing in Inclusive Neighbourhoods	32,650	16,780	**30,630**
OS32	10,340	20205 - Climate Active Neighbourhoods	13,380	13,370	**0**
	1,772,685	**Housing and Built Environment**	2,551,288	3,235,450	**2,728,560**

Reference NO.	2018-19 ACTUAL	SERVICE	2019-20 ORIGINAL BUDGET	2019-20 REVISED BUDGET	**2020-21 ESTIMATED OUTTURN**
OS33	356,693	20208 / 20209 Regeneration Activity	403,190	332,230	**313,370**
OS34	38,513	20209 White Rock Area Development	33,000	191,230	**101,750**
OS35	307,088	20211 - Planning Policy	410,360	423,550	**332,120**
OS36	150,552	20212 - Cultural Activities	147,030	169,100	**108,170**
OS37	61,672	20213 - Cultural Development	0	0	**0**
OS38	77,051	20214 - External Funding Initiatives	91,910	94,230	**88,620**
OS39	47,058	20215 - Community Cohesion	45,830	54,530	**31,100**
OS40	(10,449)	20216 - Fisheries Local Action Group (FLAG)	(8,430)	(10,120)	**0**
OS41	545	20217 - Coastal Communities Fund	0	30,580	**0**
OS42	(15,800)	20269 - CHART CLLD - Connecting Hastings and Rother Together Community Led Local Development	(15,800)	(15,800)	**(15,800)**
OS43	249,027	20219 - Community Partnership Funding	238,080	240,270	**211,900**
OS44	(499)	20220 - Older and Younger People	0	0	**0**
OS45	5,200	20221 - Youth Activities (Young Persons Council)	5,000	5,000	**5,000**
OS46	0	20166 - Town Centre Management (BID)	0	0	**0**
OS47	5,025	20167 - Community Development Activity	5,000	0	**0**
OS48	101,690	20222 - 1066 Country Campaign	180,790	163,650	**178,990**
OS49	72,096	20223 / 20224 - Tourism Marketing	0	0	**0**
OS50	139,540	20225 - Tourist Information Centre	131,960	127,420	**115,510**
OS51	33,836	20226 - Community Awareness	36,790	3,100	**33,710**
OS52	5,419	20227 - Twinning / Sierra Leone	6,590	0	**0**
OS53	111,766	20228, 20229, 20230-20133, 20234-20235, 20236, 20237, 20238 Raising the Profile of Hastings	85,250	73,570	**74,720**
OS54	825	20239 - Meteorological Expenses	1,240	4,370	**820**
OS55	42,565	20240 - Civic & Ceremonial Expenses	46,930	34,480	**39,170**
OS56	11,617	20241 - Filming	(4,000)	(4,000)	**(4,000)**
OS57	16,929	20242 - Coastal Protection	16,650	20,720	**15,110**
OS58	4,171	20243 - Navigational Aids	4,820	7,010	**3,030**
OS59	15,268	20244 - Env. Schemes Net Shops	13,680	29,650	**24,420**
OS60	(106,741)	20245 - Cliff Railways	(143,010)	(52,190)	**(155,860)**
OS61	8,908	20246 / 20247 - Castle and Caves	(32,300)	(18,470)	**5,410**
OS62	(233,572)	20248 - Chalets and Beach Huts	(257,530)	(206,580)	**(245,410)**
OS63	651,880	20249 - White Rock Theatre	562,000	513,280	**484,294**
OS64	107,705	20250 - Seafront	121,290	239,460	**219,740**
OS65	424,125	20251-20255 - Museums	431,650	425,010	**433,300**
OS66	(30,043)	20327 - Museum & Schools Project	0	30,040	**(10)**
OS68	1,163	20256 - First World War Project	0	0	**0**
OS69	(3,610)	20257 - Sports Management	11,960	18,030	**(3,370)**
OS70	37,660	20258 - Falaise Fitness Centre	22,410	46,290	**45,300**
OS71	26,192	20259 - Sports Centres	129,980	117,810	**182,240**
OS72	(10,000)	20260 - William Parker Athletic Track	3,820	0	**0**
OS73	20,289	20271 - Opening Doors	0	0	**0**
OS74	91,391	20261 - Sports Development	92,810	0	**0**
OS75	15,443	20262 - Street Games	0	0	**0**
OS76	(23,448)	20263 - Sports for All	0	0	**0**
OS77	25,141	20264 - Active Hastings	79,110	238,080	**187,580**
OS78	152,371	20265 - Play Development	76,910	0	**0**
OS80	40,331	20267 - Play Pathfinder	43,870	70,500	**58,710**
OS81	3,105	20268 - Playground Projects	0	0	**0**
OS83	113,849	20321 - Renewable Energy Solutions	66,090	86,120	**147,640**
	3,139,539	**Regeneration and Culture**	3,084,930	3,482,150	**3,017,274**

Reference NO.	2018-19 ACTUAL	SERVICE	2019-20 ORIGINAL BUDGET	2019-20 REVISED BUDGET	**2020-21 ESTIMATED OUTTURN**
OS84	305,342	20276 - Food Safety	327,220	299,040	**309,330**
OS85	130,011	20277 / 20278 - Health and Safety	137,210	194,890	**190,590**
OS86	318,790	20279 - Environmental Protection	340,220	363,860	**379,330**
OS87	52,617	20280 - Pest Control	46,660	45,870	**46,760**
OS88	6,640	20281 - Local Licensing	58,820	24,000	**8,160**
OS89	(56,455)	20283 - Liquor Licensing	(63,030)	(68,120)	**(68,060)**
OS90	(19,382)	20284 - Gambling Licensing	(22,970)	(23,660)	**(23,710)**
OS91	49,431	20285 - Stray Dog Contract	48,960	46,140	**45,710**
OS92	59,097	20286 - Emergency Planning	61,700	55,160	**54,140**
OS93	(603,159)	20287 / 20288 - Parking	(669,200)	(666,350)	**(650,260)**
OS94	274,864	20290 - Closed Circuit Television	233,450	206,650	**46,020**
OS95	(3,468)	20291 - ESCC Highway Tree Maintenance	(3,000)	(3,000)	**(3,000)**
OS96	1,218,879	20293 - Waste Collection	1,450,570	1,250,620	**1,249,860**
OS97	(70,533)	20294 - Recycling	735,760	735,480	**964,970**
OS98	1,368,742	20295 - Street Cleansing	350,710	440,980	**168,450**
OS99	103,137	20323 - Waste and Street Cleansing (DSO)	1,260,550	1,113,910	**1,301,620**
OS100	9,019	20296 - Greenwaste	(47,340)	(143,370)	**(192,830)**
OS101	305,540	20297 - Waste and Environmental Enforcement Team	302,240	317,440	**285,480**
OS102	(274)	20298 - Together Action	22,780	42,220	**37,470**
OS103	135,254	20299 - Safer Hastings Partnership (HBC)	128,920	105,760	**90,880**
OS104	(9,441)	20300 - Safer Hastings Partnership (External)	0	0	**0**
OS105	30,072	20302 - Watercourses	33,710	40,150	**33,320**
OS106	(552,339)	20303 / 20304 - Cemetery and Crematorium	(449,670)	(622,620)	**(548,030)**
OS107	23,187	20305 - Travellers Costs	23,030	25,920	**25,760**
OS108	49,797	20306 - Town Centre	50,380	35,870	**38,890**
OS109	10,768	20307 - Allotments	7,190	24,570	**(4,850)**
OS110	47,451	20308 - Ecology	55,030	19,260	**18,610**
OS111	126,448	20309 - Arboriculture	143,680	171,990	**143,560**
OS112	1,588,952	20310 - Parks and Gardens	1,369,540	1,481,290	**1,396,620**
OS113	92,299	20312 / 20313 - Hastings Country Park	102,560	130,440	**171,600**
OS114	6,534	20314 - Countryside Stewardship	26,000	24,000	**24,000**
OS115	281,850	20315 - Public Conveniences	260,390	288,420	**297,920**
	5,279,665	**Environment and Place**	6,322,070	5,956,810	**5,838,310**
		Estimated Redundancy Costs	0	788,000	**0**
	10,187,715	**Operational Services Directorate Total**	**11,958,288**	**13,462,410**	**11,584,144**

Appendix P

CAPITAL PROGRAMME SUMMARY

		Original 2019/20 £'000	Revised 2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Subseq. Years £'000	Total over Prog Period £'000
Net cost by Service								
Corporate Resources		5,492	6,986	13,279	6,923	0	0	27,188
Operational Services		11,164	8,594	3,657	10,387	70	1,645	24,353
		16,656	**15,580**	**16,936**	**17,310**	**70**	**1,645**	**51,541**
Net cost by Status								
Committed Schemes	c	14,156	13,262	5,471	15,194	70	1,645	35,642
Uncommitted Schemes	u	0	0	8,650	0	0	0	8,650
New Schemes	n	2,500	2,318	2,815	2,116	0	0	7,249
		16,656	**15,580**	**16,936**	**17,310**	**70**	**1,645**	**51,541**
Gross cost of schemes analysed by service								
Corporate Resources		5,492	6,986	14,079	6,923	0	0	27,988
Operational Services		13,759	11,475	12,021	12,199	1,882	3,457	41,035
		19,251	**18,461**	**26,100**	**19,122**	**1,882**	**3,457**	**69,022**

Scheme Ref.	Scheme		Class	Total Gross Cost	Total Net Cost	Profile of Council Net Cost: Before 31.3.19	2019/20	Revised 2019/20	2020/21	2021/22	2022/23	Subsequent Years
				£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CR-06	Sandrock Park - Land Purchase	*	c	23	23	0	23	0	0	23	0	0
CR-09	New Factory unit	*	c	1,524	1,524	1,524	0	0	0	0	0	0
CR-16	New ERP system	*	c	1,019	540	522	0	18	0	0	0	0
CR-17	Commercial Property Investments (Seddlescombe Rd)	*	c	2,406	2,406	2,406	0	0	0	0	0	0
CR-19	Conversion of 12/13 York Buildings	*	c	846	846	28	602	654	164	0	0	0
CR-22	Priory Meadow Contribution to Capital Works	*	c	700	700	162	126	88	50	400	0	0
CR-23	Commercial Property Investments	*	u	8,650	8,650	0	0	0	8,650	0	0	0
CR-24	Harold Place Redevelopment	*	c	71	71	71	0	0	0	0	0	0
CR-26	Commercial Property Investments - Churchfields Business Centre	*	c	3,300	2,500	0	0	35	2,465	0	0	0
CR-27	Commercial Property Investment Lacuna Place	*	c	9,612	9,612	9,262	0	0	350	0	0	0
CR-28	Commercial Property Investments London Rd & Shepherd St	*	c	1,350	1,350	0	0	1,350	0	0	0	0
CR-29	Commercial Property Investment - Cornwallis Street Development	*	c	7,000	7,000	0	0	0	500	6,500	0	0
CR-30	Commercial Property Investment - Harold Place Restaurant Devt	*	c	1,200	1,200	0	0	100	1,100	0	0	0
CR-31	Commercial Property Investments (Heron House)	*	c	2,673	2,673	2,673	0	0	0	0	0	0
CR-32	Commercial Property Investments (311-323 Bexhill Rd)	*	c	9,051	9,051	4,310	4,741	4,741	0	0	0	0
	Schemes Already Committed		c	40,775	39,496	20,958	5,492	6,986	4,629	6,923	0	0
	Schemes Uncommitted		u	8,650	8,650	0	0	0	8,650	0	0	0
	New Schemes		N	0	0	0	0	0	0	0	0	0
	No further approval required	*										
Total Capital Expenditure				49,425	48,146	20,958	5,492	6,986	13,279	6,923	0	0

		Total Cost £'000	Before 31.3.19 £'000	19/20 £'000	Revised 19/20 £'000	20/21 £'000	21/22 £'000	22/23 £'000	Subsequent Years £'000
CR-06 71215	**Sandrock Park - Land Purchase**								
	The purchase of land at Sandrock Park								
	Funding Source								
	Council	23	0	23	0	0	23	0	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	23	0	23	0	0	23	0	0
CR-09 71217	**New Factory unit**								0
	Construction of additional factory unit in Castleham road to be financed by loan								
	Funding Source								
	Council	1,524	1,524	0	0	0	0	0	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	1,524	1,524	0	0	0	0	0	0
CR-16 71224	**New ERP system**								
	Purchase and development of new Enterprise Resource Planning system								
	Funding Source								
	Council	540	522	0	18	0	0	0	0
	Other	479	479	0	0	0	0	0	0
	Total Funding	1,019	1,001	0	18	0	0	0	0
CR-19 71253	**Conversion of 12/13 York Buildings**								
	Funding Source								
	Council	846	28	602	654	164	0	0	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	846	28	602	654	164	0	0	0
CR-22 71259	**Priory Meadow Contribution to Capital Works**								
	Contribution to ensure continuing rental income								
	Funding Source								
	Council	700	162	126	88	50	400	0	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	700	162	126	88	50	400	0	0
CR-23 71260	**Commercial Property Investments**								
	Acquisition of Commercial Property (General)								
	Funding Source								
	Council	8,650	0	0	0	8,650	0	0	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	8,650	0	0	0	8,650	0	0	0
CR-32 71261	**Commercial Property Investments (311-323 Bexhill Rd)**								
	Acquisition of Commercial Property - 311-323 Bexhill Road (Aldi & Others)								
	Funding Source								
	Council	9,051	4,310	4,741	4,741	0	0	0	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	9,051	4,310	4,741	4,741	0	0	0	0
CR-17 71225	**Commercial Property Investments (Seddlescombe Rd)**								
	Acquisition of Commercial Property - 591 Seddlescombe Road North								
	Funding Source								
	Council	2,406	2,406	0	0	0	0	0	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	2,406	2,406	0	0	0	0	0	0

			Total Cost £'000	Before 31.3.19 £'000	19/20 £'000	Revised 19/20 £'000	20/21 £'000	21/22 £'000	22/23 £'000	Subsequent Years £'000
CR-24 71264	**Harold Place Redevelopment**									
	Demolition of Public Convenience - Harold Place									
	Funding Source									
	Council		71	71	0	0	0	0	0	0
	Other		0	0	0	0	0	0	0	0
	Total Funding		71	71	0	0	0	0	0	0
CR-26 71272	**Commercial Property Investments - Churchfields Business Centre**									
	Sidney Little road Business Incubator Hub									
	Funding Source									
	Council		2,500	0	0	35	2,465	0	0	0
	Other - LGF funding £500k & CHART £300k		800	0	0	0	800	0	0	0
	Total Funding		3,300	0	0	35	3,265	0	0	0
CR-27 71273	**Commercial Property Investment Lacuna Place**									
	Office building with ground floor retail accommodation totalling 39,696 Sq.ft.									
	Funding Source									
	Council		9,612	9,262	0	0	350	0	0	0
	Other		0	0	0	0	0	0	0	0
	Total Funding		9,612	9,262	0	0	350	0	0	0
CR-28 71274	**Commercial Property Investments London Rd & Shepherd St**									
	Purchase of 20 to 28 (even) London Road and Land at 35 Shepherd St, Hastings, St Leonards-on-Sea.									
	Funding Source									
	Council	c	1,350	0	0	1,350	0	0	0	0
	Other		0	0	0	0	0	0	0	0
	Total Funding		1,350	0	0	1,350	0	0	0	0
CR-29 71275	**Commercial Property Investment - Cornwallis Street Development**									
	Redevelopment of Cornwallis Street for Hotel									
	Funding Source									
	Council	c	7,000	0	0	0	500	6,500	0	0
	Other		0	0	0	0	0	0	0	0
	Total Funding		7,000	0	0	0	500	6,500	0	0
CR-30 71276	**Commercial Property Investment - Harold Place Restaurant Devt**									
	Redevelopment of Harold Place for Restaurant use									
	Funding Source									
	Council	c	1,200	0	0	100	1,100	0	0	0
	Other		0	0	0	0	0	0	0	0
	Total Funding		1,200	0	0	100	1,100	0	0	0
CR-31 71277	**Commercial Property Investments (Heron House)**									
	Acquisition of Commercial Property (Heron House)									
	Funding Source									
	Council		2,673	2,673	0	0	0	0	0	0
	Other		0	0	0	0	0	0	0	0
	Total Funding		2,673	2,673	0	0	0	0	0	0

Scheme Ref.	Scheme		Class	Total Gross Cost	Total Net Cost	Profile of Council Net Cost: Before 31.3.19	2019/20	Revised 2019/20	2020/21	2021/22	2022/23	Subsequent Years
				£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£,000**	**£,000**	**£'000**
H07	Private Sector Renewal Support	*	c	147	0	0	0	0	0	0	0	0
H08	Disabled Facilities Grant	*	c	8,448	0	0	0	0	0	0	0	0
H15	Empty Homes Strategy - CPO	*	c	250	250	100	100	50	50	50	0	0
OS-05	Purchase of Temporary Homelessness Accommodation	*	n	5,766	5,766	873	2,500	2,318	2,575	0	0	0
RP04	Restoration of Pelham Crescent/ Pelham Arcade	*	c	756	359	286	78	43	30	0	0	0
RP16	Road at Pelham Arcade	*	c	125	75	11	64	0	64	0	0	0
RP11	Groyne Refurbishment	*	c	175	175	0	75	35	35	35	35	35
ES35	Work on Harbour Arm and New Groynes	*	c	2,995	30	0	0	30	0	0	0	0
ES36	Further Sea Defence works	*	c	150	0	0	0	0	0	0	0	0
RP09	Public Realm	*	c	260	169	88	50	31	50	0	0	0
ES32	Country Park - Interpretive Centre	*	c	771	308	0	266	308	0	0	0	0
ES37	Playgrounds Upgrade Programme	*	c	302	283	128	95	117	38	0	0	0
OS 28	Hastings Housing Company		c	9,309	9,309	1,114	5,000	4,295	0	3,900	0	0
OS 26	DSO - Waste and Cleansing service - Vehicles	*	c	780	780	18	780	762	0	0	0	0
OS 27	DSO Waste and Cleansing service - Depot Works & Equipm	*	c	331	331	15	256	316	0	0	0	0
OS06	Energy - Solar Panels		c	1,700	1,700	62	1,661	0	0	1,638	0	0
OS10	Energy - Ground Mounted Solar		c	2,184	2,184	0	84	84	200	1,900	0	0
OS07	Energy Generation - Unallocated		n	2,116	2,116	0	0	0	0	2,116	0	0
OS3	Coastal Communities scheme 4	*	c	491	0	0	0	0	0	0	0	0
OS4	Buckshole Reservoir	*	c	837	837	0	0	50	160	627	0	0
OS12	Priory Street Multi Storey Car Park	*	c	1,520	1,520	0	120	120	0	0	0	1,400
OS13	Lower Bexhill Road	*	c	7,040	140	0	35	35	35	35	35	0
OS14	Electric Vehicles	*	c	468	468	0	0	0	172	86	0	210
OS15	Electric Vehicle Infrastructure	*	c	8	8	0	0	0	8	0	0	0
OS16	Priory Street Works		n	140	140	0	0	0	140	0	0	0
OS17	Castleham Car Park resurfacing		n	100	100	0	0	0	100	0	0	0
	Schemes Already Committed		c	39,048	18,927	1,822	8,664	6,276	842	8,271	70	1,645
	Schemes Uncommitted		u	0	0	0	0	0	0	0	0	0
	New Schemes		n	8,122	8,122	873	2,500	2,318	2,815	2,116	0	0
	No further approval required											
Total Capital Expenditure				47,170	27,049	2,695	11,164	8,594	3,657	10,387	70	1,645

		Total Cost £'000	Before 31.3.19 £'000	19/20 £'000	Revised 19/20 £'000	20/21 £'000	21/22 £'000	22/23 £'000	Subsequent Years £'000
H07 71227	**Private Sector Renewal Support**								
	Property grants to bring conditions up to minimum standards.								
	Funding Source								
	Council	0	0	0	0	0	0	0	0
	Regional Housing Board Grant+ LEP funding of £46K	147	27	50	93	27	0	0	0
	Total Funding	147	27	50	93	27	0	0	0
H08 71228	**Disabled Facilities Grant**								
	Property Grants for disabled facilities Grant of £1,812,584 for 2019/20 (DFG reserve 1.494m @ 31st March 2019)								
	Funding Source								
	Council	0	0	0	0	0	0	0	0
	Government Grant including additional £202.5K	8,448	0	1,500	1,200	1,812	1,812	1,812	1,812
	Total Funding	8,448	0	1,500	1,200	1,812	1,812	1,812	1,812
H15 71229	**Empty Homes Strategy - CPO**								
	Rolling programme of purchases and disposals								
	Funding Source								
	Council	250	100	100	50	50	50	0	0
	Government Grant	0	0	0	0	0	0	0	0
	Total Funding	250	100	100	50	50	50	0	0
OS-05 71266	**Purchase of Temporary Homelessness Accommodation**								
	Purchase of temporary accommodation to reduce B&B expenditure. Initial budget of £3,191k & a further £2,575k approved by Cabinet on Nov 4th 2019.								
	Funding Source								
	Council	5,766	873	2,500	2,318	2,575	0	0	0
	Government Grant	0	0	0	0	0	0	0	0
	Total Funding	5,766	873	2,500	2,318	2,575	0	0	0
RP04 71231	**Restoration of Pelham Crescent/ Pelham Arcade**								
	Feasibility study and grants for restoration works, plus additional phase 2 works / grants to adjoining property								
	Funding Source								
	Council	359	286	78	43	30	0	0	0
	Historic England(English Heritage) £280K Council reserves £117K	397	293	104	104	0	0	0	0
	Total Funding	756	579	182	147	30	0	0	0
RP16 71232	**Road at Pelham Arcade**								
	Road above Pelham Arcade								
	Funding Source								
	Council	75	11	64	0	64	0	0	0
	Other- Freeholder Contributions	50	0	50	0	50	0	0	0
	Total Funding	125	11	114	0	114	0	0	0
RP11 71240	**Groyne Refurbishment**								
	To maintain Beach and Groynes								

		Total Cost £'000	Before 31.3.19 £'000	19/20 £'000	Revised 19/20 £'000	20/21 £'000	21/22 £'000	22/23 £'000	Subsequent Years £'000
	Funding Source								
	Council	175	0	75	35	35	35	35	35
	Other	0	0	0	0	0	0	0	0
	Total Funding	175	0	75	35	35	35	35	35
ES35 71241	**Work on Harbour Arm and New Groynes**								
	Coastal Protection – FDGIA Funding for sea defence works								
	Funding Source								
	Council	30	0	0	30	0	0	0	0
	Contribution from DEFRA/EA	2,965	2,538	338	427	0	0	0	0
	Total Funding	2,995	2,538	338	457	0	0	0	0
ES36 71242	**Further Sea Defence works**								
	Hastings Pier to South West Outfall								
	Funding Source								
	Council	0	0	0	0	0	0	0	0
	Other - DEFRA/EA	150	0	150	150	0	0	0	0
	Total Funding	150	0	150	150	0	0	0	0
RP09 71244	**Public Realm**								
	Improvement & Refurbishment of public realm assets								
	Funding Source								
	Council	169	88	50	31	50	0	0	0
	Other -Coastal Communities Fund revenue 2015/16 £35,000	91	91	0	0	0	0	0	0
	Total Funding	260	179	50	31	50	0	0	0
ES32 71248	**Country Park - Interpretive Centre**								
	Provision of a new Interpretive Centre. Council funding being provided by sale proceeds of Warren Cottage.								
	Funding Source								
	Council	308	0	266	308	0	0	0	0
	Other - European Funding 60%	463	0	396	0	463	0	0	0
	Total Funding	771	0	662	308	463	0	0	0
ES37 71249	**Playgrounds Upgrade Programme**								
	Hare Way, Mare Bay, Highwater View, Bexhill Road and other play spaces contribution to upgrades								
	Funding Source								
	Council	283	128	95	117	38	0	0	0
	Other S106	19	0	7	7	12	0	0	0
	Total Funding	302	128	102	124	50	0	0	0

		Total Cost £'000	Before 31.3.19 £'000	19/20 £'000	Revised 19/20 £'000	20/21 £'000	21/22 £'000	22/23 £'000	Subsequent Years £'000
OS 28 71254	**Hastings Housing Company**								
	Funding Source								
	Council	9,309	1,114	5,000	4,295	0	3,900	0	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	9,309	1,114	5,000	4,295	0	3,900	0	0
OS 26 71255	**DSO - Waste and Cleansing service - Vehicles**								
	Funding Source								
	Council	780	18	780	762	0	0	0	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	780	18	780	762	0	0	0	0
OS 27 71268	**DSO Waste and Cleansing service - Depot Works & Equipment**								
	Funding Source								
	Council (£122k IT & equip, £206k Castleham works)	331	15	256	316	0	0	0	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	331	15	256	316	0	0	0	0
OS06 71256	**Energy - Solar Panels**								
	Solar Panels on Council Owned Land / Buildings								
	Funding Source								
	Council	1,700	62	1,661	0	0	1,638	0	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	1,700	62	1,661	0	0	1,638	0	0
OS10 71269	**Energy - Ground Mounted Solar**								
	Ground Mounted Solar								
	Funding Source								
	Council	2,184	0	84	84	200	1,900	0	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	2,184	0	84	84	200	1,900	0	0
OS07 71267	**Energy Generation - Unallocated**								
	Future Green Energy Projects								
	Funding Source								
	Council	2,116	0	0	0	0	2,116	0	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	2,116	0	0	0	0	2,116	0	0
OS3 71257	**Coastal Communities scheme 4 Promenade fountain Wi-Fi Rock House & Source**								
	Funding Source								
	Council	0	0	0	0	0	0	0	0
	Other CCF £222+ 142 FST £50)	491	491	0	0	0	0	0	0
	Total Funding	491	491	0	0	0	0	0	0

		Total Cost £'000	Before 31.3.19 £'000	19/20 £'000	Revised 19/20 £'000	20/21 £'000	21/22 £'000	22/23 £'000	Subsequent Years £'000
OS4 71258	**Buckshole Reservoir Statutory Protection Works**								
	Spillway, drawdown works, signage & Contract Works								
	Council	837	0	0	50	160	627	0	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	837	0	0	50	160	627	0	0
OS12 71265	**Priory Street Multi Storey Car Park**								
	Car Park Improvements								
	Funding Source								
	Council	1,520	0	120	120	0	0	0	1,400
	Other	0	0	0	0	0	0	0	0
	Total Funding	1,520	0	120	120	0	0	0	1,400
OS13 71271	**Lower Bexhill Road**								
	Housing Development								
	Funding Source								
	Council	140	0	35	35	35	35	35	0
	Other	6,900	0	0	900	6,000	0	0	0
	Total Funding	7,040	0	35	935	6,035	35	35	0
OS14 71278	**Electric Vehicles**								
	Acquisition of Electric Vehicles								
	Funding Source								
	Council	468	0	0	0	172	86	0	210
	Other	0	0	0	0	0	0	0	0
	Total Funding	468	0	0	0	172	86	0	210
OS15 71279	**Electric Vehicle Infrastructure**								
	Electric Vehicle Charging points, Load loggers, remedial works & EV points								
	Funding Source								
	Council	8	0	0	0	8	0	0	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	8	0	0	0	8	0	0	0
OS16 71280	**Priory Street Works**								
	LED Lighting replacement, rewiring & automated gate control								
	Funding Source								
	Council	140	0	0	0	140	0	0	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	140	0	0	0	140	0	0	0
OS17 71281	**Castleham Car Park resurfacing**								
	Resurface Car Park								
	Funding Source								
	Council	100	0	0	0	100	0	0	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	100	0	0	0	100	0	0	0

Agenda Item 6

Report To:	**Cabinet**
Date of Meeting:	**10 February 2020**
Report Title:	**Treasury Management, Annual Investment Strategy and Capital Strategy 2020/21**
Report By:	**Peter Grace** **Assistant Director – Financial Services and Revenues (Chief Finance Officer)**
Key Decision:	**Yes**
Classification:	**Open**

Purpose of Report

To consider the draft Treasury Management Strategy, Annual Investment Strategy, Minimum Revenue Provision (MRP) Policy and Capital Strategy and make recommendations to full Council as appropriate. This is to ensure that there is an effective framework for the management of the Council's investments, cash flows and borrowing activities prior to the start of the new financial year. This report also provides an update on performance to 31 December 2019.

The Council has some £64.55 million of debt (as at 1 January 2020), and investments which can fluctuate between £15m and £30m in the year. The level of debt is set to increase to some £104m by 2021/22 with a consequently increase in risks.

Recommendation(s)

Cabinet recommend to full Council that:

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

2. **The strategies listed are updated as necessary during 2020/21 in the light changing and emerging risks and the Council's evolving future expenditure plans.**

3. **The Financial rules and the Financial Operating Procedures of the Council are reviewed and revised as necessary to meet the requirements of the Code of Practice.**

4. **The Cabinet and full Council note that there is likely to be the use of Money Market Funds in 2020/21 – as already allowed for in the investment strategy.**

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Reasons for Recommendations

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

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

3. The Council has the ability to diversify its investments and must consider carefully the level of risk against reward against a background of historically relatively low interest rates. Investments can help to close the gap in the budget in the years ahead and thus help to preserve services, assist in the regeneration of the town, provide additional housing and enhance the long term sustainability of the town. However over reliance on such income streams would involve taking unnecessary risks with the future of the Council and its ability to deliver statutory services.

4. The Council has the option of using Money Market funds within its Investment Policy already. These are on occasion providing higher rates of return than some straight deposit accounts and as such the use of these funds is likely to occur in the near future.

Introduction

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

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

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

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

4. The Chief Finance Officer responsibilities were extended last year to include a series of new roles in respect of the capital strategy and also a specific role in respect of investment in non-financial assets. These are included within the Appendices.

5. The Audit Committee considered the same report and strategies at its meeting on the 22 January 2020 and resolved to recommend the policies and strategies to Cabinet and full Council.

Borrowing / Borrowing Levels

Investment guidance

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

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

(i) **Investments held for treasury management purposes**

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

(ii) Other investments

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

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

The Primary Requirements of the Code

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

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

10. Receipt by the full council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a capital Strategy, a Mid-year Review Report and an Annual Report (stewardship report) covering activities during the previous year.

11. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.

12. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is the Audit Committee.

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

Reporting Arrangements

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

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

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

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

Investment Performance 2019-20

17. The performance for the first 9 months of 2019/20 provided an average return of 0.90%.This compares to 0.65% for the same period last year. The total interest receivable for the first 9 months is £182,603 (2018/19 £117,000). These figures exclude the interest receivable in respect of loans to other organisations, the Property Fund, Diversified Investment Fund (DIF) – See below.

Property Fund

18. It was agreed in February 2017 that the option for diversification of some of the investments into a property fund be undertaken with CCLA in the sum of £2m. The investment being in respect of the Council's reserves that are not required for a period of at least 5 years in order that any fall in values and entry costs into such funds can be covered. The £2m was invested in April 2017 and the performance is detailed below:

CCLA – LA's Property Fund Prices and Dividend yields

End of	Dec-19	Sep-19	Jun-19	Mar-19	Dec-18	Dec-17	Apr-17
Offer Price p	322.7	324.35	327.66	327.4	329.35	319.44	307.19
Net Asset Value p	302.3	303.84	306.94	306.7	308.53	299.24	287.77
Bid Price p	297.61	299.13	302.19	301.95	303.75	294.60	283.31
Dividend* on XD Date p	3.21	3.45	3.15	3.31	3.32	3.38	
Dividend* - Last 12 Months p	13.12	13.22	12.94	13.08	12.98	13.71	13.19
Dividend Yield on NAV %	4.34	4.35	4.22	4.26	4.21	4.58	4.58
Fund Size £m	1200.1	1173.1	1178.2	1127.1	1,099.0	930.8	710.2

19. The dividend yield is around 4.3%p.a on the net asset value. Dividends for the first 3 quarters of 2019/20 amount to £63,783. Full year dividends are estimated at around £85,000.

Property Fund Capital Value

Units (651,063)	Dec-19	Sep-19	Jun-19	Mar-19	Dec-18	Dec-17	Apr-17
Mid Market Price(£)	1,968,163	1,978,189.82	1,998,372.77	1,996,810.22	2,008,724.67	1,948,240.92	1,873,564.00
Bid Price (£)	1,937,629	1,947,524.75	1,967,447.28	1,965,884.73	1,977,603.86	1,918,031.60	1,844,526.59

20. The Capital value has increased by some 5.05% between April 2017 and December 2019 (after initial investment) but continues to fluctuate as can be seen from the above table. It is important that this is continued to be viewed as a longer term investment (5 years plus) if the original Capital value is to be recovered.

Diversified Income Fund

21. It was agreed in February 2019 that a sum of £3m would be made available for further diversification of the Council's investments. £1m was invested on 26 July 2019 and a further £2m investment was made on 24 September 2019 into the CCLA Diversified Income Fund. Anticipated returns were around 3% with the added advantage of much higher liquidity than the property fund.

22. The capital value has already recovered from the initial investment where charges are effectively deducted, and was valued at £3,012,479 at the end of December 2019. Dividend yield (annual) on price is 3.15% for December (3.17% November). It should be remembered that this is a long term investment and prices can go up and down.

23. The Cabinet on 6 January 2020 considered a Mid-Year report on Treasury Management based on the performance and activities arising since setting the strategies before the start of the financial year. The current strategy and policies were considered to be appropriate and no recommendations for change were made.

Money Market Funds

24. The Council has the option of using Money Market funds within its Investment Policy already. These are on occasion providing higher rates of return than some straight deposit accounts currently being used on a daily basis. As such the use of these funds is likely to occur, once arrangements are in place. These funds remain highly rated and must meet the Council's existing creditworthiness criteria.

Capital Strategy

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

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

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

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

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

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

being:

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

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

32. The Capital Strategy looks to cover a much longer planning period than the existing capital programme. The future expenditure plans continue to evolve. The capital strategy and all the prudential indicators and controls are attached for the known schemes. Borrowing limits will need to be determined by full Council based on affordability and risk in due course.

Risk Management

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

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

35. The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. Further training sessions for all members will be arranged prior to the consideration of the future Mid-year review by the Audit Committee and Cabinet in the autumn of 2020.

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

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

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

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

Economic/Financial Implications

40. The Council generally has investments in the year of between £15 million and £27 million at any one time, and is estimated to have longer term borrowings approaching £65m by the end of March 2020 (if no further external borrowing is undertaken). Management of its investments, borrowing and cash flow remains crucial to the proper and effective management of the Council. The Strategies and Policies detailed in the report directly influence the Council's Medium Term Financial Strategy and the annual budget.

Organisational Consequences

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

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

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

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

Timetable of Next Steps

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

Action	Key milestone	Due date (provisional)	Responsible
Update Treasury Management Practices, produce necessary schedules for full compliance with Codes of Practice	1 April 2020	Full implementation by 2020/21	Chief Finance Officer
Arrange Training for members/ officers	Year End & Mid-Year Review Report	July 2020	Chief Finance Officer

Wards Affected

None

Policy Implications

Reading Ease Score: 24.9
Reading Grade Level: 15.3%

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

Additional Information

Documents Attached:

(i)Treasury Management Strategy (including Investment Policy)

Includes the following Appendices:-

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

(ii) Capital Strategy

Other Supporting Documents:-

CIPFA - Treasury Management Code of Practice (2017)
CIPFA - The Prudential Code (2017)
Budget Report - Cabinet 10 February 2020

Officer to Contact

Peter Grace
pgrace@hastings.gov.uk
01424 451503

Treasury Management Strategy (TMS) for 2020/21

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

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

3. The Treasury Management strategy covers two remain areas:

   (i) Capital issues

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

   (ii) Treasury management issues

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

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

5. The strategy for 2020/21 in respect of the following aspects of the treasury management function is based upon the Council officers' views on interest rates, supplemented with leading market forecasts provided by the Council's treasury advisor, Link Asset Services (previously Capita Asset Services).

Key Changes to the Strategy

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

   i. The Council has taken on additional borrowing in 2019/20 in respect of the Capital programme and the Income Strategy. The level of borrowing has risen significantly but remained within the operational and authorised boundaries.

The Capital expenditure plans of the Council are expected to involve considerable new borrowing again in 2020/21 and the years ahead. The borrowing limits proposed in the strategy are those previously agreed when determining the budget for 2019/20 plus increases in the borrowing for the current and forthcoming schemes within the Capital programme - without reliance on the capital receipts from land and property disposals.

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

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

iv. Investment returns are uncretain over the next few years as the bank base rate fluctuates given the uncertainties around trade deals following Brexit. The overall cash returns are expected to decrease as the Council's reserves deminish.

v. The Council invested some £5m of its reserves in longer period investments e.g. property Fund, Diversified Investment fund. There are no proposals to invest for longer periods given the potential calls on reserves and the considerable uncertainty surrrounding the impact of Brexit and the impact on the economy and calls on Council services.

Balanced Budget

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

PRUDENTIAL AND TREASURY LIMITS FOR 2020/21 TO 2022/23

The Council's Capital Position (Prudential Indicators)

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

9. The prudential code requires the local authority to identify prudential indicators that enable members, officers and the public to make a meaningful judgement on the Council's total exposure from borrowing and investment decisions. The indicators

are required to cover both the Council's current position and the expected position assuming all planned investments in the forthcoming years are completed.

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

- The Council's capital expenditure plans;
- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- Reviewing the limits in place for borrowing activity.

Prudential Indicator for Capital Expenditure

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

	Revised 2019/20 £'000s	2020/21 £'000s	2021/22 £'000s	2022/23 £'000s
Gross Capital Expenditure	18,461	26,100	19,122	1,882
Net Capital Expenditure	15,580	16,936	17,310	70
Financing from own resources	185	185	208	70
Borrowing Requirement	15,395	16,567	17,102	0

12. In terms of **net cost**, the 2019/20 programme has been revised to £15,580,000 from £16,656,000. The 2020/21 programme amounts to £16,936,000 (£26,100,000 Gross).

Capital Expenditure – Financing

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

14. The larger schemes in the capital programme which are expected to require financing in **2019/20** from borrowing are:-

- Commercial property in Bexhill Rd (Stage Payment at £4.741m
- Commercial Property in London Rd/ Shepherd Street at £1.35m
- Loans to Hastings Housing Company Ltd estimated at £4.3m
- Temporary accommodation estimated at £2.318m

- York Buildings at £654,000
- Street Cleaning Vehicles at £762,000
- Playgrounds Upgrade Programme at £124,000
- Country Park – Interpretive centre at £308,000

15. The financing requirements for larger schemes in **2020/21** include:

- Commercial property purchases estimated at £8.65m
- Churchfields Business centre at £3.265m
- Lacuna Place at £350,000
- Harold Place at £1.1m
- York Buildings at £164,000
- Vehicles at £172,000
- Car Parks at £240,000
- Country Park Interpretive centre at £463,000
- Housing – Temporary Accommodation at £2.575m

Impact on the prudential indicators

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

The **Authorised Limit**, which is a limit beyond which external debt is prohibited, needs to be set or revised by the full Council; it is a statutory duty under Section 3 (1) of the Local Government Act 2003 and supporting regulations. It reflects the level of borrowing which, while not desired, could be afforded in the short term. It is the expected maximum borrowing need with some headroom for unexpected movements.

Authorised limit	2018/19 Estimate £	2019/20 Estimate £	2020/21 Estimate £	2021/22 Estimate £
Debt	85,000,000	95,000,000	110,000,000	110,000,000
Other long term liabilities	5,000,000	5,000,000	5,000,000	5,000,000
Total	90,000,000	100,000,000	115,000,000	115,000,000

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

Operational boundary	2018/19 Estimate £	2019/20 Estimate £	2020/21 Estimate £	2021/22 Estimate £
Debt	75,000,000	85,000,000	105,000,000	105,000,000
Other long term liabilities	5,000,000	5,000,000	5,000,000	5,000,000
Total	80,000,000	90,000,000	110,000,000	110,000,000

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

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

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

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

PROSPECTS FOR INTEREST RATES

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

Link Asset Services Interest Rate View	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25	1.25	1.25	1.25
3 Month LIBID	0.70	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.30	1.30
6 Month LIBID	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40	1.50	1.50	1.50	1.50
12 Month LIBID	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60	1.70	1.70	1.70	1.70
5yr PWLB Rate	2.30	2.40	2.40	2.50	2.50	2.60	2.70	2.80	2.90	2.90	3.00	3.10	3.20	3.20
10yr PWLB Rate	2.60	2.70	2.70	2.70	2.80	2.90	3.00	3.10	3.20	3.20	3.30	3.30	3.40	3.50
25yr PWLB Rate	3.20	3.30	3.40	3.40	3.50	3.60	3.70	3.70	3.80	3.90	4.00	4.00	4.10	4.10
50yr PWLB Rate	3.10	3.20	3.30	3.30	3.40	3.50	3.60	3.60	3.70	3.80	3.90	3.90	4.00	4.00

23. The direction of UK interest rates remains unclear. Uncertainty is expected throughout the year as the detail of a trade deal will need to be negotiated by the current end of the Brexit transition period in December 2020, which the Prime Minister has pledged he will not extend. This could prove to be an unrealistically short timetable given the major negotiations required. Two possibilities could arise; one, the need for an extension of negotiations, possibly two years, or, a no deal Brexit in December 2020.

24. The economy may tread water in 2020, with low growth of about 1% until there is more certainty after the trade deal deadline is passed.

25. The Bank of England produced another quarterly Inflation Report, (now renamed the Monetary Policy Report), on 7 November 2019. The Bank made a change in their Brexit assumptions to now include a deal being eventually passed. Possibly the biggest message that was worth taking note of from the Monetary Policy Report, was an increase in concerns among MPC members around weak global economic growth and the potential for Brexit uncertainties to become entrenched and so delay UK economic recovery. Consequently, the MPC voted 7-2 to maintain Bank Rate at 0.75% but two members were sufficiently concerned to vote for an immediate Bank Rate cut to 0.5%. The MPC warned that if global growth does not pick up or Brexit uncertainties intensify, then a rate cut was now more likely. Conversely, if risks do recede, then a more rapid recovery of growth will require gradual and limited rate rises. The speed of recovery will depend on the extent to which uncertainty dissipates over the final terms for trade between the UK and EU and by how much global growth rates pick up. The Bank revised its inflation forecasts down – to 1.25% in 2019, 1.5% in 2020, and 2.0% in 2021; hence, the MPC views inflation as causing little concern in the near future. The MPC meeting of 19 December repeated the previous month's vote of 7-2 to keep Bank Rate on hold. The next meeting may however reduce rates.

26. If economic growth were to weaken considerably, the MPC has relatively little room to make a big impact with Bank Rate still only at 0.75%. It would therefore, probably suggest that it would be up to the Chancellor to provide help to support growth by way of a fiscal boost by e.g. tax cuts, increases in the annual expenditure budgets of government departments and services and expenditure on infrastructure projects, to boost the economy. The Government has already made moves in this direction and it made significant promises in its election manifesto to increase government spending by up to £20bn p.a., (this would add about 1% to GDP growth rates), by investing primarily in infrastructure. This is likely to be announced in the next Budget (March 2020). The Chancellor has also amended the fiscal rules in November to allow for an increase in government expenditure.

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

BORROWING STRATEGY

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

Current Portfolio Position

29. The Council's forecast debt position for 31 March 2020, if no further borrowing is taken for the rest of the financial year, as at 8 January 2020, amounted to £65.45m (SeeTable below).

Table 1 – Borrowing

Debt	1 April 2019 Principal	Start Date	Maturity Date	31 Dec 2019 Principal	Rate
PWLB	£7,500,000	25/05/2007	01/02/2033	£7,500,000	4.80%
PWLB	£909,027	04/09/2014	02/09/2044	£909,027	3.78%
PWLB (Optivo)	£1,788,235	04/09/2014	02/09/2044	£1,788,235	3.78%
PWLB (FT) (Annuity)	£215,148	21/03/2016	20/03/2026	£200,592	1.66%
PWLB	£1,000,000	11/05/2016	11/05/2056	£1,000,000	2.92%
PWLB	£1,000,000	11/05/2016	11/05/2046	£1,000,000	3.08%
PWLB	£1,000,000	11/05/2016	09/05/2036	£1,000,000	3.01%
PWLB	£1,000,000	11/05/2016	11/05/2026	£1,000,000	2.30%
PWLB	£2,000,000	24/06/2016	24/06/2054	£2,000,000	2.80%
PWLB	£1,000,000	24/06/2016	23/06/2028	£1,000,000	2.42%
PWLB	£2,000,000	21/03/2017	21/03/2057	£2,000,000	2.53%
PWLB	£2,000,000	21/03/2017	19/09/2059	£2,000,000	2.50%
PWLB	£2,000,000	23/03/2017	23/03/2060	£2,000,000	2.48%
PWLB (Annuity)	£7,113,729	01/06/2017	01/06/2057	£7,002,787	2.53%
PWLB (Annuity)	£8,232,534	22/11/2017	22/11/2057	£8,111,852	2.72%
PWLB	£2,000,000	12/12/2018	12/06/2028	£2,000,000	1.98%
PWLB (Annuity)	£4,000,000	13/12/2018	13/12/2058	£3,941,522	2.55%
PWLB (Annuity)	£2,500,000	31/01/2019	31/01/2059	£2,481,883	2.56%
PWLB (Annuity)	£4,410,000	31/01/2019	31/01/2059	£4,388,015	2.56%
PWLB (Annuity)	£9,400,000	20/03/2019	20/03/2059	£9,331,568	2.54%
PWLB (Annuity)	-	02/09/2019	02/09/2069	£4,800,000	1.83%
Total Debt	**£61,068,673**			**£65,455,481**	**2.82%**

30. The Council has loaned money to other organisations. As at 31 December 2019 three longer term loans are outstanding. Namely:

Table 2 – Loans to Other Organisations

3rd Party Organisations	Rate/ Return (%)	Start Date	End Date	Principal Outstanding £	Term
Amicus /Optivo	3.78%	04/09/2014	02/09/2044	£1,788,235	Fixed
The Foreshore Trust	1.66%	21/03/2016	20/03/2026	£185,915	Annuity
The Source	2.43%	17/12/2015	16/12/2024	£15,718	Annuity
			Total	**£1,989,868**	

31. Borrowing from the PWLB was taken to fund the Amicus Horizon (now Optivo) loan (£1,788,235 - maturity loan) and the loan to the Foreshore Trust (£300,000 originally borrowed – annuity loan); these correspond to PWLB loans in Table 1 above. The £25,000 loan to the Source is repayable over a 10 year period and is financed from HBC reserves.

32. The above table excludes the loans to the Hastings Housing Company. As at 31 December 2019 the value of the revenue loan was £94,000 and the Capital loan was £5.492m. The company expects to repay the revenue loan by 31 March 2020.

Borrowing Limit – Capital Financing Requirement (CFR)

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

34. The Council has at the time of writing some £65.455m of PWLB debt. To borrow for the remainder of the 2019/20 capital programme i.e. up to the projected level of the CFR (£73.6m) it would need to borrow a further £ 8.1m by the end of March 2020. The Capital Financing Requirement has increased significantly over the last few years. It is expected to reach some £103.7m by 2021/22 (based on the capital programme approvals to date).

35. As a key indicator the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the Capital Financing Requirement (CFR) in the preceding year plus the estimates of any additional CFR for 2019/20 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

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

management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

37. The total CFR can also be reduced by:

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

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

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

39. To finance the future Capital programme will require substantial new borrowing by the Council. The key considerations are when to borrow and the level of internal borrowing. Given the historically low interest rates and the ability of the Council to look at other investment opportunities which are providing higher returns than the cost of borrowing e.g. property acquisitions or property funds, there has been a strong case for minimising the level of internal funding now in order to ensure a lower level of borrowing risk in the future. However, interest rates look set to remain low for a period of time (unless a trade deal is not negotiated following Brexit) and given the 1% increase in PWLB rates in October 2019 there is a stronger case now to not borrow externally until we really have to i.e. temporarily use existing resources. This is the strategy that is proposed for 2020/21 (as far as practical) and will save on borrowing costs and assist the Council's revenue account. There is only a limited ability to do this given the depletion of reserves, and funds already invested for longer periods.

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

CFR	2019/20 (Rev Est)	2020/21 (Est)	2021/22 (Est)	2022/23 (Est)	2023/24 (Est)
	£	£	£	£	£
CFR-Opening	59,370,380	73,641,380	88,471,380	103,737,380	101,267,380
Less MRP	(1,176,038)	(1,623,844)	(1,883,773)	(2,424,943)	(2,434,520)
Plus, New Borrowing	15,395,000	16,567,000	17,102,000	0	0
CFR Closing	73,589,342	88,584,536	103,689,607	101,312,437	98,832,860

(Table excludes leasing element)

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

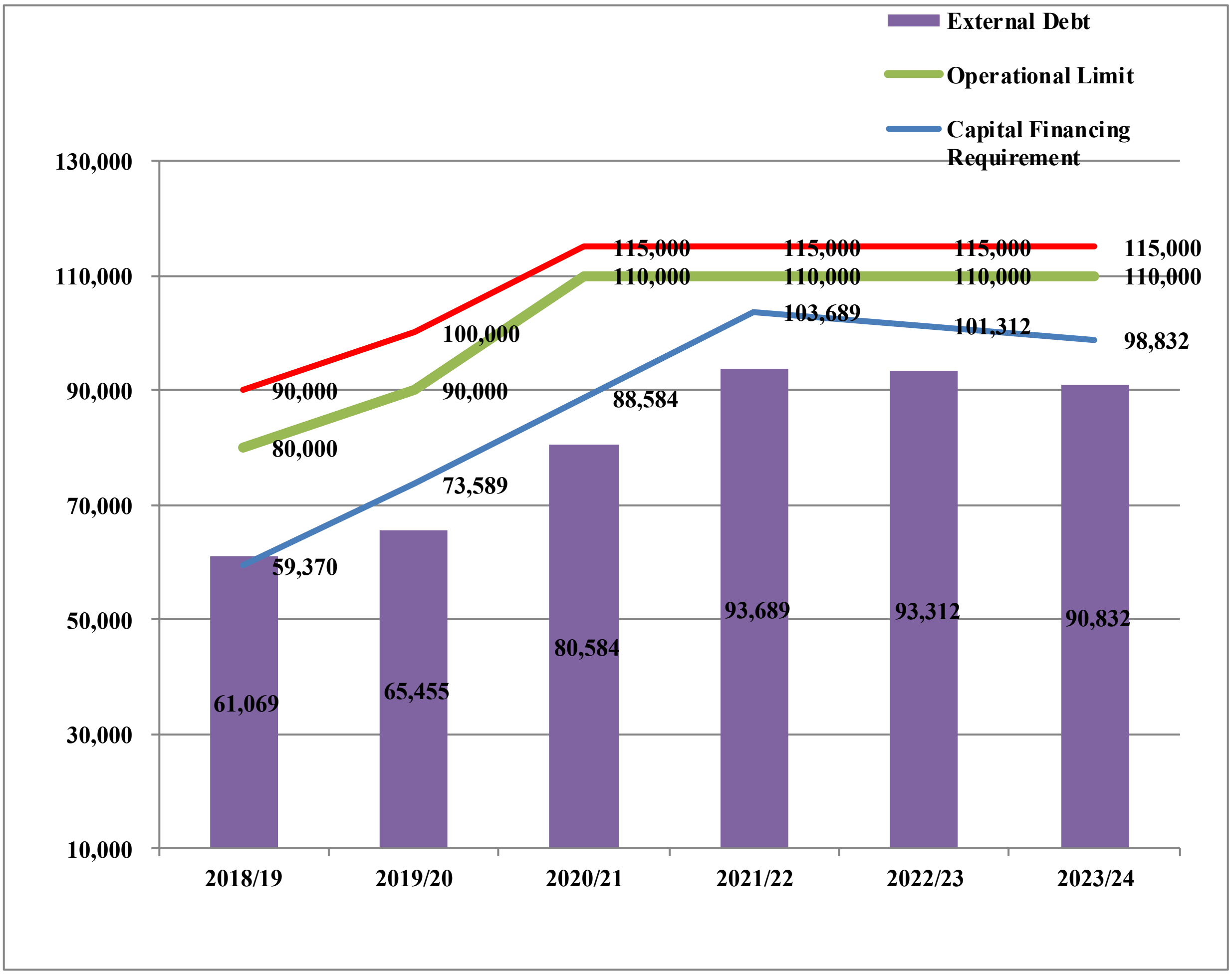
Table: Council's Projected Gross Borrowing Position Against The CFR

Internal Borrowing	2019/20 Actual £000's	2020/21 Estimate £000's	2021/22 Estimate £000's	2022/23 Estimate £000's
Capital Financing Requirement	73,589	88,584	103,689	101,312
External Borrowing	65,455	80,584	95,689	93,312
Net Internal Borrowing	**8,134**	**8,000**	**8,000**	**8,000**

42. The Council is now (8 January 2020) maintaining a small under-borrowed position, but this could increase to some £8.1m if the Capital programme completes as forecast and new loans are not taken.

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

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



45. **Borrowing – Overall Limits**

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

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

47. **Borrowing – Certainty Rate**

The Council again registered for the PWLB certainty rate earlier in the year which has given a 20 basis point reduction in the average rate of borrowing. The Council will look to do so again for 2020/21 and thereafter if it remains available.

48. **Borrowing – Change of Sentiment**

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

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

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

49. **Borrowing – Timing**

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

50. Given that rates do not look set to increase it is recommended that new borrowing is only taken when necessary and internal balances are used to temporarily finance long life assets. If rates decrease then opportunities to borrow may be taken. Given that the Council is increasingly using its reserves these need to be readily available and not subjected to unnecessary risk or exposure.

Summary

51. New borrowing has been taken over the last 30 months, to not only take advantage of the historically low rates, but to ensure that the Council's own reserves are cash backed should restrictions be placed on the amount and levels of borrowing that authorities can undertake (particularly from the PWLB) and a balanced view will continue to be taken. This strategy served the Council well given the unexpected 1% increase in PWLB rates in October 2019.

52. The capital expenditure plans require further substantial new borrowing by the Council. The plans play a large part in the consideration as to when to borrow and the level of internal borrowing. The Council has taken advantage of other investment opportunities which are providing higher returns than the cost of borrowing e.g. property funds. To date the Council has reduced the level of internal funding in order to ensure a lower level of borrowing risk in the future.

53. For the remainder of 2019/20 and 2020/21 the cheapest borrowing will be internal borrowing by running down cash balances and foregoing interest earned at historically low rates. However, the Council will not have sufficient balances to temporarily finance all the Capital expenditure. In view of the overall forecast for long term borrowing rates to increase over the next few years, consideration has been given to weighing the short term advantage of internal borrowing against the potential increase in long term costs as rates rise. As such additional new borrowing has been, and will continue to be, taken when good opportunities arise.

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

55. The use of fixed rate market loans will also be considered should rates be below PWLB rates for the equivalent maturity period. The use of either PWLB maturity or annuity loans will be considered in order to minimise annual borrowing costs.

Policy on borrowing in advance of need

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

57. In determining whether borrowing will be undertaken in advance the Council will:

   a. ensure that there is a clear link between the capital programme and maturity profile of the existing debt portfolio which supports the need to take funding in advance.

b. ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets have been considered.

c. evaluate the economic and market factors that might influence the manner and timing of any decision to borrow.

d. consider the merits and demerits of alternative forms of funding.

e. consider the appropriate funding period.

f. consider the impact of borrowing in advance on temporarily (until required to finance capital expenditure) increasing investment cash balances and the consequent increase in exposure to counterparty risk, and the level of such risks given the controls in place to minimise them.

Debt Rescheduling

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

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

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

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

b. helping to fulfil the strategy outlined above

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

Minimum Revenue Provision (MRP)

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

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

63. The MRP for 2020/21 is estimated at £1,624,000 (the statutory charge to revenue that remains within the accounts).

ANNUAL INVESTMENT STRATEGY

Investment Policy

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

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

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

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

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

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

70. In accordance with guidance from the MHCLG and CIPFA, and in order to minimise the risk to investments, the Council has below clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The creditworthiness methodology used to create the counterparty list fully accounts for

the ratings, watches and outlooks published by all three ratings agencies with a full understanding of what these reflect in the eyes of each agency.

Creditworthiness Policy

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

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

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

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

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

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

75. Typically the minimum credit ratings criteria the Council use will be a Short Term rating (Fitch or equivalents) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally

lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

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

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

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

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

Investment Strategy

80. The table below provides a snapshot of the investments and deposits held at 31 December 2019. The level of investments can fluctuate significantly on a day to day basis, given the level of funding received, precept payments, grants payable and receivable, salaries and wages, etc.

Table – Investments and Deposits

Counterparty	Rate/ Return	Start Date	End Date	Principal (£)	Term
Landesbank - Helaba	1.14%	30/01/2019	30/01/2020	**5,000,000**	Fixed
Credit Agricole	0.79%	03/09/2019	03/03/2020	**5,000,000**	Fixed
Goldman Sachs	0.92%	11/09/2019	11/03/2020	**5,000,000**	Fixed
Rotherham	0.90%	02/12/2019	02/06/2020	**5,000,000**	Fixed
Barclays Corporate	0.40%			**3,000,000**	Call
NAT West	0.05%			**6,147**	Call
			Total	**23,006,147**	

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

82. The Council has various limits depending upon the credit rating e.g. £5m with any one institution with a minimum short term rating of F+, and a long term rating of A+ or above, supported by a red (6 month) rating by Capita Asset Services. The £5m limit generally represents a level of up to 25% of the investment portfolio with any one institution or group at any one time. It is also necessary, at times, to invest sums of this size in order to attract the larger institutions which have the higher credit ratings.

83. The Eurozone and Brexit have led to a number of downgrades to banks' credit ratings, making it increasingly difficult to spread investments across a number of institutions. The Chief Finance Officer has the authority to amend the limits on a daily basis if necessary to ensure that monies can be placed with appropriate institutions. The use of Money Market funds is now anticpated given the higher returns that are on offer – as against short term direct deposits.

Investment Strategy – Property Fund

84. It was agreed in February 2017 that the option for diversification of some of the investments into a property fund be undertaken with CCLA in the sum of £2m. The investment being in respect of the Council's reserves that are not required for a period of at least 5 years in order that any fall in values and entry costs into such funds can be covered. The £2m was invested in April 2017 and the performance is detailed below:

Table: CCLA – LA's Property Prices and Dividend yields

End of	Dec-19	Sep-19	Jun-19	Mar-19	Dec-18	Dec-17	Apr-17
Offer Price p	322.7	324.35	327.66	327.4	329.35	319.44	307.19
Net Asset Value p	302.3	303.84	306.94	306.7	308.53	299.24	287.77
Bid Price p	297.61	299.13	302.19	301.95	303.75	294.60	283.31
Dividend* on XD Date p	3.21	3.45	3.15	3.31	3.32	3.38	
Dividend* - Last 12 Months p	13.12	13.22	12.94	13.08	12.98	13.71	13.19
Dividend Yield on NAV %	4.34	4.35	4.22	4.26	4.21	4.58	4.58
Fund Size £m	1200.1	1173.1	1178.2	1127.1	1,099.0	930.8	710.2

85. The dividend yield is around 4.3% p.a on the net asset value. Dividends for the first 3 quarters of 2019/20 amount to £63,783. Full year dividends for 2019/20 are estimated at around £85,000 and a similar return is anticiapted for 2020/21.

Table: CCLA - Property Fund Capital Value

Units (651,063)	Dec-19	Sep-19	Jun-19	Mar-19	Dec-18	Dec-17	Apr-17
Mid Market Price(£)	1,968,163	1,978,189.82	1,998,372.77	1,996,810.22	2,008,724.67	1,948,240.92	1,873,564.00
Bid Price (£)	1,937,629	1,947,524.75	1,967,447.28	1,965,884.73	1,977,603.86	1,918,031.60	1,844,526.59

86. The Capital value has increased by some 5.05% between April 2017 and December 2019 but continues to fluctuate as can be seen from the above table. It is important

that this is continued to be viewed as a longer term investment (5 years plus) if the original Capital value is to be recovered.

Diversified Income Fund

87. It was agreed in February 2019 that a sum of £3m would be made available for further diversification of the Council's investments. £1m was invested on 26 July 2019 and a further £2m investment was made on 24 September 2019 into the CCLA Diversified Income Fund. Anticipated returns were around 3% with the added advantage of much higher liquidity than the property fund.

The capital value has already recovered from the initial investment where charges are effectively deducted, and was valued at £3,012,479 at the end of December 2019. Dividend yield on price is 3.15% for December (3.17% November). It should be remembered that this is a long term investment and prices can go up and down.

Investment Strategy – View on Interest Rates

88. Investment returns look set to stay flat for the next few months. However thereafter they could decrease if the economy does not show signs of growth or there is a worldwide economic downturn. Likewise rates could increase (by as much as 4% say some pundits if the £pound loses considerable value or the economy overheats.

Investment Return Expectations.

89. Bank Rate is forecast to increase steadily but slowly over the next few years to reach 1.25% by Quarter 1 2023. Bank Rate forecasts for financial year ends (March) are:

- 2019/20 0.75%
- 2020/21 1.00%
- 2021/22 1.00%
- 2022/23 1.25%

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

Investment Strategy – Income Generation

91. The Council remains keen to pursue capital schemes that also generate income. Substantial investments in property, housing and energy projects will necessitate new borrowing. The levels of new borrowing that the Council can afford to take on board will be dependent upon the individual proposals and credit worthiness of the counterparties involved. Due to the timescales within which some property purchasing and disposal decisions have to be made the Council's existing governance arrangements and delegated authorities have been revised.

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

93. The income generation proposals relating to the Housing Company have required revenue loans to be provided. Such funding is not be available from the Public Works Loan Board, and is therefore from existing Council reserves and balances. The rates of interest that are charged to the company (s) are determined at the time of the advance and need to comply with state aid rules where thresholds are exceeded – a market rate being payable.

End of Year Investment Report

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

Policy on Use of External Service Providers

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

96. **Training**

The CIPFA Code requires the responsible officer (Chief Financial Officer) to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. In terms of Treasury management in general, training has been undertaken by members on an annual basis to date.

The training needs of treasury management officers are periodically reviewed.

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

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

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

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

Scheme of Delegation

100. Please see Appendix 9.

Role of the Section 151 Officer

101. Please see Appendix 10.

APPENDIX 1

Minimum Revenue Provision – An Introduction

1. What is a Minimum Revenue Provision?

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

2. Statutory duty

Statutory Instrument 2008 no. 414 s4 lays down that:

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

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

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

3. Government Guidance

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

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

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

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

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

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

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

Under this option, it is intended that MRP should be spread over the estimated useful life of either an asset created, or other purpose of the expenditure. There are two useful advantages of this option: -

- Longer life assets e.g. freehold land can be charged over a longer period than would arise under options 1 and 2.
- No MRP charges need to be made until the financial year after that in which an item of capital expenditure is fully incurred and, in the case of a new asset, comes into service use (this is often referred to as being an ‘MRP holiday’). This is not available under options 1 and 2.

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

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

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

Minimum Revenue Provision Policy Statement 2020/21

The Council implemented the new Minimum Revenue Provision (MRP) guidance in 2008/9 , and will assess the MRP for 2020/21 in accordance with the main recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003.

A major proportion of the MRP for 2020/21 relates to the more historic debt liability that will continue to be charged at the rate of 4%, in accordance with option 1 of the guidance. Certain expenditure reflected within the debt liability at 31st March 2020 will under delegated powers be subject to MRP under option 3, which will be charged over a period which is reasonably commensurate with the estimated useful life applicable to the nature of expenditure, using the equal annual instalment method. For example, capital expenditure on a new building, or on the refurbishment or enhancement of a building, will be related to the estimated life of that building.

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

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

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

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

APPENDIX 2 **Interest Rate Forecasts**

Link Asset Services Interest rate forecast – Dec 2019 – March 2023

Bank Rate														
	NOW	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Link Asset Services	0.75%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.25%
Capital Economics	0.75%	0.75%	0.75%	0.75%	0.75%	-	-	-	1.00%	-	-	-	-	-
5yr PWLB Rate														
	NOW	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Link Asset Services	2.34%	2.40%	2.40%	2.50%	2.50%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.20%	3.20%
Capital Economics	2.34%	2.40%	2.50%	2.50%	2.60%	-	-	-	2.80%	-	-	-	-	-
10yr PWLB Rate														
	NOW	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Link Asset Services	2.55%	2.70%	2.70%	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.50%
Capital Economics	2.55%	2.60%	2.70%	2.80%	2.80%	-	-	-	3.10%	-	-	-	-	-
25yr PWLB Rate														
	NOW	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Link Asset Services	3.07%	3.30%	3.40%	3.40%	3.50%	3.60%	3.70%	3.70%	3.80%	3.90%	4.00%	4.00%	4.10%	4.10%
Capital Economics	3.07%	3.00%	3.10%	3.20%	3.20%	-	-	-	3.40%	-	-	-	-	-
50yr PWLB Rate														
	NOW	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Link Asset Services	2.90%	3.20%	3.30%	3.30%	3.40%	3.50%	3.60%	3.60%	3.70%	3.80%	3.90%	3.90%	4.00%	4.00%
Capital Economics	2.90%	3.00%	3.10%	3.20%	3.20%	-	-	-	3.50%	-	-	-	-	-

Note: PWLB rates and forecast shown above have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012.

APPENDIX 3 Economic Review (by Link Asset Services)

UK. Brexit. 2019 has been a year of upheaval on the political front as Theresa May resigned as Prime Minister to be replaced by Boris Johnson on a platform of the UK leaving the EU on 31 October 2019, with or without a deal. However, MPs blocked leaving on that date and the EU agreed an extension to 31 January 2020. In late October, MPs approved an outline of a Brexit deal to enable the UK to leave the EU on 31 January. Now that the Conservative Government has gained a large overall majority in the **general election** on 12 December, this outline deal will be passed by Parliament by that date. However, there will still be much uncertainty as the detail of a trade deal will need to be negotiated by the current end of the transition period in December 2020, which the Prime Minister has pledged he will not extend. This could prove to be an unrealistically short timetable for such major negotiations that leaves open two possibilities; one, the need for an extension of negotiations, probably two years, or, a no deal Brexit in December 2020.

GDP growth has taken a hit from Brexit uncertainty during 2019; quarter three 2019 surprised on the upside by coming in at +0.4% q/q, +1.1% y/y. However, the peak of Brexit uncertainty during the final quarter appears to have suppressed quarterly growth to probably around zero. The economy is likely to tread water in 2020, with tepid growth around about 1% until there is more certainty after the trade deal deadline is passed.

While the Bank of England went through the routine of producing another **quarterly Inflation Report,** (now renamed the Monetary Policy Report), on 7 November, it is very questionable how much all the writing and numbers were worth when faced with the uncertainties of where the UK will be after the general election. The Bank made a change in their Brexit assumptions to now include a deal being eventually passed. Possibly the biggest message that was worth taking note of from the Monetary Policy Report, was an increase in concerns among MPC members around weak global economic growth and the potential for Brexit uncertainties to become entrenched and so delay UK economic recovery. Consequently, the MPC voted 7-2 to maintain Bank Rate at 0.75% but two members were sufficiently concerned to vote for an immediate Bank Rate cut to 0.5%. The MPC warned that if global growth does not pick up or Brexit uncertainties intensify, then a rate cut was now more likely. Conversely, if risks do recede, then a more rapid recovery of growth will require gradual and limited rate rises. The speed of recovery will depend on the extent to which uncertainty dissipates over the final terms for trade between the UK and EU and by how much global growth rates pick up. The Bank revised its inflation forecasts down – to 1.25% in 2019, 1.5% in 2020, and 2.0% in 2021; hence, the MPC views inflation as causing little concern in the near future.

The **MPC meeting of 19 December** repeated the previous month's vote of 7-2 to keep Bank Rate on hold. Their key view was that there was currently 'no evidence about the extent to which policy uncertainties among companies and households had declined' i.e. they were going to sit on their hands and see how the economy goes in the next few months. The two members who voted for a cut were concerned that the labour market was faltering. On the other hand, there was a clear warning in the minutes that the MPC were concerned that "domestic unit labour costs have continued to grow at rates above those consistent with meeting the inflation target in the medium term".

If economic growth were to weaken considerably, the MPC has relatively little room to make a big impact with Bank Rate still only at 0.75%. It would therefore, probably suggest that it would be up to the Chancellor to provide help to support growth by way of a **fiscal boost** by e.g. tax cuts, increases in the annual expenditure budgets of government departments and services and expenditure on infrastructure projects, to boost the economy. The Government has already made moves in this direction and it made significant promises in its election manifesto to increase government spending by up to £20bn p.a., (this would add about 1% to GDP growth rates), by investing primarily in infrastructure. This is likely to be announced in the next Budget, probably in February 2020. The Chancellor has also amended the fiscal rules in November to allow for an increase in government expenditure.

As for **inflation** itself, CPI has been hovering around the Bank of England's target of 2% during 2019, but fell again in both October and November to a three-year low of 1.5%. It is likely to remain close to or under 2% over the next two years and so, it does not pose any immediate concern to the MPC at the current time. However, if there was a hard or no deal Brexit, inflation could rise towards 4%, primarily because of imported inflation on the back of a weakening pound.

With regard to the **labour market,** growth in numbers employed has been quite resilient through 2019 until the three months to September where it fell by 58,000. However, there was an encouraging pick up again in the three months to October to growth of 24,000, which showed that the labour market was not about to head into a major downturn. The unemployment rate held steady at a 44-year low of 3.8% on the Independent Labour Organisation measure in October. Wage inflation has been steadily falling from a high point of 3.9% in July to 3.5% in October (3-month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 2.0%. As the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. The other message from the fall in wage growth is that employers are beginning to find it easier to hire suitable staff, indicating that supply pressure in the labour market is easing.

USA. President Trump's massive easing of fiscal policy in 2018 fuelled a temporary boost in consumption in that year which generated an upturn in the rate of growth to a robust 2.9% y/y. **Growth** in 2019 has been falling after a strong start in quarter 1 at 3.1%, (annualised rate), to 2.0% in quarter 2 and then 2.1% in quarter 3. The economy looks likely to have maintained a growth rate similar to quarter 3 into quarter 4; fears of a recession have largely dissipated. The strong growth in employment numbers during 2018 has weakened during 2019, indicating that the economy had been cooling, while inflationary pressures were also weakening. However, CPI inflation rose from 1.8% to 2.1% in November, a one year high, but this was singularly caused by a rise in gasoline prices.

The Fed finished its series of increases in rates to 2.25 – 2.50% in December 2018. In July 2019, it cut rates by 0.25% as a 'midterm adjustment' but flagged up that this was not intended to be seen as the start of a series of cuts to ward off a downturn in growth. It also ended its programme of quantitative tightening in August, (reducing its holdings of treasuries etc.). It then cut rates by 0.25% again in September and by another 0.25% in its October meeting to 1.50 – 1.75%. At its September meeting it also said it was going to **start buying Treasuries again**, although this was not to be seen as a resumption of quantitative easing but rather an exercise to relieve liquidity pressures in the repo market. Despite those protestations, this still means that the Fed is again expanding its balance sheet holdings of government debt. In the first month, it will buy $60bn, whereas it had been reducing its balance sheet by $50bn per month during 2019. As it will be buying only short-term (under 12 months) Treasury bills, it is technically correct that this is not quantitative easing (which is purchase of long term debt). The Fed left rates unchanged in December. However, the accompanying statement was more optimistic about the future course of the economy so this would indicate that further cuts are unlikely.

Investor confidence has been badly rattled by the progressive ramping up of increases in tariffs President Trump has made on Chinese imports and China has responded with increases in tariffs on American imports. This **trade war** is seen as depressing US, Chinese and world growth. In the EU, it is also particularly impacting Germany as exports of goods and services are equivalent to 46% of total GDP. It will also impact developing countries dependent on exporting commodities to China.
However, in November / December, progress has been made on agreeing a phase one deal between the US and China to roll back some of the tariffs; this gives some hope of resolving this dispute.

EUROZONE. **Growth** has been slowing from +1.8 % during 2018 to around half of that in 2019. Growth was +0.4% q/q (+1.2% y/y) in quarter 1, +0.2% q/q (+1.2% y/y) in quarter 2 and then +0.2% q/q, +1.1% in quarter 3; there appears to be little upside potential in the near future. German GDP growth has been struggling to stay in positive territory in 2019 and fell by -0.1% in quarter 2; industrial production was down 4% y/y in June with car production down 10% y/y. Germany would be particularly vulnerable to a no deal Brexit depressing exports further and if President Trump imposes tariffs on EU produced cars.

The European Central Bank (ECB) ended its programme of quantitative easing purchases of debt in December 2018, which then meant that the central banks in the US, UK and EU had all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by quantitative easing purchases of debt. However, the downturn in EZ growth in the second half of 2018 and into 2019, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), has prompted the ECB to take new measures to stimulate growth. At its March meeting it said that it expected to leave interest rates at their present levels "at least through the end of 2019", but that was of little help to boosting growth in the near term. Consequently, it announced a **third round of TLTROs**; this provides banks with cheap borrowing every three months from September 2019 until March 2021 that means that, although they will have only a two-year maturity, the Bank was making funds available until 2023, two years later than under its previous policy. As with the last round, the new TLTROs will include an incentive to encourage bank lending, and they will be capped at 30% of a bank's eligible loans. However, since then, the downturn in EZ and world growth has gathered momentum; at its meeting on 12 September it cut its deposit rate further into negative territory, from -0.4% to -0.5%, and announced a **resumption of quantitative easing purchases of debt for an unlimited period.** At its October meeting it said these purchases would start in November at €20bn per month - a relatively small amount compared to the previous buying programme. It also increased the maturity of the third round of TLTROs from two to three years. However, it is doubtful whether this loosening of monetary policy will have much impact on growth and, unsurprisingly, the

ECB stated that governments would need to help stimulate growth by 'growth friendly' fiscal policy.

There were no policy changes in the December meeting, which was chaired for the first time by the new President of the ECB, Christine Lagarde. However, the outlook continued to be down beat about the economy; this makes it likely there will be further monetary policy stimulus to come in 2020. She did also announce a thorough review of how the ECB conducts monetary policy, including the price stability target. This review is likely to take all of 2020.

On the political front, Austria, Spain and Italy have been in the throes of **forming coalition governments** with some unlikely combinations of parties i.e. this raises questions around their likely endurance. The latest results of German state elections has put further pressure on the frail German CDU/SDP coalition government and on the current leadership of the CDU. The results of the Spanish general election in November have not helped the prospects of forming a stable coalition.

CHINA. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and shadow banking systems. In addition, there still needs to be a greater switch from investment in industrial capacity, property construction and infrastructure to consumer goods production.

JAPAN - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

WORLD GROWTH. Until recent years, world growth has been boosted by increasing **globalisation** i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last thirty years, which now accounts for nearly 20% of total world GDP, has unbalanced the world economy. The Chinese government has targeted achieving major world positions in specific key sectors and products, especially high tech areas and production of rare earth minerals used in high tech products. It is achieving this by massive financial support, (i.e. subsidies), to state owned firms, government directions to other firms, technology theft, restrictions on market access by foreign firms and informal targets for the domestic market share of Chinese producers in the selected sectors. This is regarded as being unfair competition that is putting western firms at an unfair disadvantage or even putting some out of business. It is also regarded with suspicion on the political front as China is an authoritarian country that is not averse to using economic and military power for political advantage. The current trade war between the US and China therefore needs to be seen against that backdrop. It is, therefore, likely that we are heading into a period where there will be a **reversal of world globalisation and a decoupling of western countries** from dependence on China to supply products. This is likely to produce a backdrop in the coming years of weak global growth and so weak inflation. **Central banks are, therefore, likely to come under more pressure to support growth by**

looser monetary policy measures and this will militate against central banks increasing interest rates.

The trade war between the US and China is a major concern to **financial markets** due to the synchronised general weakening of growth in the major economies of the world, compounded by fears that there could even be a recession looming up in the US, though this is probably overblown. These concerns resulted in **government bond yields** in the developed world falling significantly during 2019. If there were a major worldwide downturn in growth, central banks in most of the major economies will have limited ammunition available, in terms of monetary policy measures, when rates are already very low in most countries, (apart from the US). There are also concerns about how much distortion of financial markets has already occurred with the current levels of quantitative easing purchases of debt by central banks and the use of negative central bank rates in some countries. The latest PMI survey statistics of economic health for the US, UK, EU and China have all been predicting a downturn in growth; this confirms investor sentiment that the outlook for growth during the year ahead is weak.

INTEREST RATE FORECASTS

The interest rate forecasts provided by Link Asset Services in paragraph 3.3 are **predicated on an assumption of an agreement being reached on Brexit between the UK and the EU.** On this basis, while GDP growth is likely to be subdued in 2019 and 2020 due to all the uncertainties around Brexit depressing consumer and business confidence, an agreement on the detailed terms of a trade deal is likely to lead to a boost to the rate of growth in subsequent years. This could, in turn, increase inflationary pressures in the economy and so cause the Bank of England to resume a series of gentle increases in Bank Rate. Just how fast, and how far, those increases will occur and rise to, will be data dependent. The forecasts in this report assume a modest recovery in the rate and timing of stronger growth and in the corresponding response by the Bank in raising rates.

- In the event of an **orderly non-agreement exit in December 2020**, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall.
- If there were a **disorderly Brexit**, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. Quantitative easing could also be restarted by the Bank of England. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably even, but dependent on a successful outcome of negotiations on a trade deal.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similarly to the downside.
- In the event that a Brexit deal was agreed with the EU and approved by Parliament, the balance of risks to economic growth and to increases in Bank Rate is likely to change to the upside.

One risk that is both an upside and downside risk, is that all central banks are now working in very different economic conditions than before the 2008 financial crash as there has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could therefore either over or under do increases in central interest rates.

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

- **Brexit** – if it were to cause significant economic disruption and a major downturn in the rate of growth.
- **Bank of England** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **Eurozone sovereign debt crisis.** In 2018, Italy was a major concern due to having a populist coalition government which made a lot of anti-austerity and anti-EU noise. However, in September 2019 there was a major change in the coalition governing Italy which has brought to power a much more EU friendly government; this has eased the pressure on Italian bonds. Only time will tell whether this new coalition based on an unlikely alliance of two very different parties will endure.
- Weak capitalisation of some **European banks**, particularly Italian banks.
- **German minority government.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. The CDU has done badly in recent state elections but the SPD has done particularly badly and this has raised a major question mark over continuing to support the CDU. Angela Merkel has stepped down from being the CDU party leader but she intends to remain as Chancellor until 2021.
- **Other minority EU governments.** Austria, Finland, Sweden, Spain, Portugal, Netherlands and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Austria, the Czech Republic, Poland and Hungary** now form a strongly anti-immigration bloc within the EU. There has also been rising anti-immigration sentiment in Germany and France.
- In October 2019, the IMF issued a report on the World Economic Outlook which flagged up a synchronised slowdown in world growth. However, it also flagged up that there was **potential for a rerun of the 2008 financial crisis**, but his time centred on the huge debt binge accumulated by corporations during the decade of low interest rates. This now means that there are corporates who would be unable to cover basic interest costs on **some $19trn of corporate debt in major western economies,** if world growth was to dip further than just a minor cooling. This debt is mainly held by the shadow banking sector i.e. pension funds, insurers, hedge funds, asset managers etc., who, when there is $15trn of corporate and government debt now yielding negative interest rates, have been searching for higher returns in riskier assets. Much of this debt is only marginally above investment grade so any rating downgrade could force some holders into a fire sale, which would then depress prices further and so set off a spiral down. The IMF's answer is to suggest imposing higher capital charges on lending to corporates and for central banks to regulate the investment operations of the shadow banking sector. In October 2019,

the deputy Governor of the Bank of England also flagged up the dangers of banks and the shadow banking sector lending to corporates, especially highly leveraged corporates, which had risen back up to near pre-2008 levels.

- **Geopolitical risks,** for example in North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- **Brexit** – if agreement was reached all round that removed all threats of economic and political disruption between the EU and the UK.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- **UK inflation,** whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

APPENDIX 4 - Prudential Indicators

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

TREASURY MANAGEMENT PRUDENTIAL INDICATORS	2018/19	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000	£'000
Authorised Limit for external debt					
borrowing	85,000	95,000	110,000	110,000	110,000
other long term liabilities	5,000	5,000	5,000	5,000	5,000
TOTAL	90,000	100,000	115,000	115,000	115,000
Operational Boundary for external debt					
borrowing	75,000	85,000	105,000	105,000	105,000
other long term liabilities	5,000	5,000	5,000	5,000	5,000
TOTAL	80,000	90,000	110,000	110,000	110,000

Interest Rate Exposures	**2019/20** **Upper**	**2020/21** **Upper**	**2021/22** **Upper**
Limits on fixed interest rates based on **net** debt	100%	100%	100%
Limits on variable interest rates based on **net** debt	100%	100%	100%
Limits on fixed interest rates:			
· Debt only	100%	100%	100%
· Investments only	100%	100%	100%
Limits on variable interest rates			
· Debt only	30%	30%	30%
· Investments only	100%	100%	100%

Maturity Structure of fixed interest rate borrowing 2020/21		
	lower	**Upper**
Under 12 Months	0%	100%
12 months to 2 years	0%	100%
2 years to 5 years	0%	100%
5 years to 10 years	0%	100%
10 years to 20 years	0%	100%
20 years to 30 years	0%	100%
30 years to 40 years	0%	100%
40 years to 50 years	0%	100%

Maturity Structure of variable interest rate borrowing 2020/21		
	lower	**Upper**
Under 12 Months	0%	30%
12 months to 2 years	0%	30%
2 years to 5 years	0%	30%
5 years to 10 years	0%	30%
10 years to 20 years	0%	10%
20 years to 30 years	0%	10%
30 years to 40 years	0%	10%
40 years to 50 years	0%	10%

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

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

Prudential Indicator: Financing Cost to Net Revenue Stream	2018/19 Actual	2019/20 Rev.Est	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
Financing Costs	£'000	£'000	£'000	£'000	£'000
1. Interest Charged to General Fund	1,218	1,914	2,315	2,869	3,152
2. Interest Payable under Finance Leases and any other long term liabilities	-	-	-	-	-
3. Gains and losses on the repurchase or early settlement of borrowing credited or charged to the amount met from government grants and local taxpayers	0	0	0	0	0
4. Interest and Investment Income	-303	-544	-818	-787	-771
5. Amounts payable or receivable in respect of financial derivatives	-	-	-	-	-
6. MRP, VRP	795	1,176	1,624	1,884	2,425
6. Depreciation/Impairment that are charged to the amount to be met from government grants and local taxpayers	-	-	-	-	-
Total	1,710	2,546	3,121	3,966	4,806
Net Revenue Stream					
Amount to be met from government grants and local taxpayers	13,373	13,329	13,063	13,392	13,493
Ratio					
Financing Cost to Net Revenue Stream	**13%**	**19%**	**24%**	**30%**	**36%**

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

Other Prudential Indicators

Internal Borrowing and Gearing ratios for the authority are included in the Capital Strategy. Additional prudential indicators will be developed as the forward capital plans of the authority are developed.

APPENDIX 5 Specified and Non-Specified Investments

Specified Investments:

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

Schedule A

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

Non-Specified Investments

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

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

Schedule B

Investment	Security / Minimum credit rating	(A) Why use it? (B) Associated risks
Property Funds	*The use of these instruments can be deemed capital expenditure, and as such will be an application (spending) of capital resources. This Authority will check on the status of any fund it may consider using. Appropriate due diligence will also be undertaken before investment of this type is undertaken. These are longer term investments and will extend beyong 365 days (expected to be invested for 5 years or more)*	
UK Government Gilts with maturities in excess of 1 year Custodial arrangement required prior to purchase	Government backed	(A) (i) Excellent credit quality. (ii) Very liquid. (iii) if held to maturity, known yield (rate of return) per annum – aids forward planning. (iv) If traded, potential for capital gain through appreciation in value (i.e. sold before maturity) (v) No currency risk. (B) (i) 'Market or interest rate risk': Yield subject to movement during life of sovereign bond which could negatively impact on price of the bond i.e. potential for capital loss.

APPENDIX 6 Approved Countries for Investments

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

Countries that meet our criteria 1, 2, 3, 4 (at 10.1.2020)

1. AAA
   - Australia
   - Canada
   - Denmark
   - Germany
   - Netherlands
   - Singapore
   - Sweden
   - Switzerland
   - U.S.A.

2. AA+
   - Finland

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

4. AA-
   - Belgium
   - Qatar

Examples of Countries that do not meet our criteria:

Japan
Kuwait
Greece
Spain

APPENDIX 7 Treasury Management Policy Statement

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

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

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

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

APPENDIX 8 Key Principles and Clauses formally adopted

The Code identifies three key principles:

Key Principle 1

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

Key Principle 2

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

Key Principle 3

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

Clauses formally adopted

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

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

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

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

2. This organisation (i.e. full board/council) will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid- year review and an annual report after its close, in the form prescribed in its TMPs.

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

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

APPENDIX 9 Treasury Management Scheme of Delegation

(i) Full Council

1. Approval of the Treasury Management Strategy - prior to the new financial year
2. Approval of the Investment Strategy - prior to the new financial year
3. Approval of the MRP Policy - prior to the start of the new financial year
4. Approval of any amendments required to the Strategy during the year
5. Receipt of a Midyear report on the Treasury Management Strategy, to include consideration of any recommendations of the Cabinet or Audit Committee arising from any concerns since the original approval.

(ii) Cabinet

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

(iii) Audit Committee

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

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

APPENDIX 10 The Treasury Management Role of the Section 151 Officer

Chief Finance Officer (S151 Officer) responsibilities

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

Additional Responsibilities following new Codes of Practice/ Investment Guidance

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

1. preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe (say 20+ years – to be determined in accordance with local priorities).

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

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

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

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

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

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

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

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

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

- Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;
- Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;
- Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;
- Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;
- Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

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Draft Capital Strategy (2020/21)

Introduction

1. The CIPFA revised 2017 Prudential and Treasury Management Codes requires all local authorities to prepare a capital strategy report, which seeks to provide the following:

   - a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services.
   - an overview of how the associated risk is managed.
   - the implications for future financial sustainability.

2. The aim of this capital strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

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

4. The capital strategy seeks to identify:

   - The corporate governance arrangements for these types of activities;
   - Service objectives relating to the Capital expenditure;
   - The expected income, costs and resulting contribution;
   - The debt related to the activity and the associated interest costs;
   - The payback period (MRP policy);
   - For non-loan type investments, the cost against the current market value;
   - The risks associated with each activity.

5. Where a physical asset is being bought, details of market research, advisers used, ongoing costs and investment requirements and any credit information will be disclosed, including the ability to sell the asset and realise the investment cash.

6. To demonstrate the proportionality between the treasury operations and the non-treasury operation, high-level comparators are identified.

7. The Capital strategy, and in particular the capital programme supports the Council’s Corporate plan and is closely tied to the Medium Term Financial Strategy and the budget. The Capital Strategy is required to be compiled for a longer timeframe – generally 10 to 20 years although not specified.

8. The Council's future spending plans are evolving and as such the Capital Strategy and other strategies will need to be re-determined by full Council when the future plans are sufficiently robust. The report does detail the Council's borrowing commitments until 2061/62 that result from past and current capital programmes.

High Level Overview of how Capital Expenditure, Capital Financing and Treasury Management Activity Contribute to the Provision of Services

9. As detailed in the Council's Medium Term Financial Strategy (MTFS), the Council continues to face major reductions in government grants (see budget report elsewhere on the agenda). The Council seeks to use capital investment in the borough to not only achieve key corporate objectives but also to generate additional income in order to continue to provide services to its residents. The expenditure plans for the next three years are detailed below along with the expected outcomes.

Capital Expenditure 2020/21

10. The Council's Capital programme amounts to some £26.1m (£16.9m net of grants and contributions) in 2020/21. The major areas of expenditure include**:-**

(i) Buckshole Reservoir (£837,000 of which £160,000 is expected to be spent in 2020/21)
The January 2020 Cabinet approved works to improve the spillway design and to change the drawdown operation.

(ii) Energy Initiatives – Ground Mounted Solar
The potential ground mounted solar project consists of a number of feasibility reports (£84,000) and power connection costs (£200,000). If feasibility studies are positive then an investment of some may result in 2021/22 providing cost savings and an income stream to the Council (£1.9m identified in the capital programme). There remains a sum of £1.638m in 2021/22 earmarked currently for solar panels and a further £2.116m remains unallocated. Any plans for spending these monies will need business cases and Cabinet/Council approval.

(iii) Commercial Property (£10m of which £8.65m is expected to be spent in 2020/21)
In line with the strategic priority of economic and physical regeneration this funding will look to invest in commercial property within the borough. The intention is to provide new jobs or secure jobs as well as secure new income and business rates for the Council, which in turn will help to sustain services within the borough.

(iv) Housing – Temporary Accommodation (£5.76m of which £2.575m is expected to be spent in 2020/21)
In line with the strategic priority of providing decent homes, the Council is seeking to acquire temporary accommodation, not only to secure accommodation in Hastings, but also to make savings on leasing costs.

(v) Priory Meadow Contribution to capital works (£450,000 of which £50,000 is expected to be spent in 2020/21)
The Council owns 10% of the Priory Meadow shopping centre. The money represents its share of the estimated capital investment costs for 2020/21. The Council receives 10% of the net income for the centre which provides a significant contribution towards meeting the service costs of the council.

(vi) Conversion of 12-13 York Buildings (£846,000 of which £164,000 is expected to be spent in 2020/21)
In line with the strategic priority of providing decent homes, the Council is seeking to create 6 flats above the existing shop premises in this grade 2 listed property. The space has been unused for many years, there is a clear housing need, businesses face difficult trading conditions, and the Council can only contemplate such a regeneration project given its access to low borrowing rates. The costs of borrowing are expected to be covered by the future rental streams – but with no additional income stream for the Council.

(vii) Country Park Interpretive Centre (£771,000 of which £463,000 is expected to be spent in 2020/21)
In line with the strategic priorities of a greener town, protecting and enhancing biodiversity, as well as a more attractive town, this new straw build project attracts 60% European funding. A new centre will benefit residents and visitors.

(viii) Playgrounds Upgrade (£50,000)
In line with the strategic objective of an attractive town, this is the continuation of a programme of upgrades, which carries on into 2020/21.

(ix) Lower Bexhill Road – Housing Development (£7.04m of which £6.035m is expected to be spent in 2020/21)
The Council has received funding of some £6.9m to progress this site (grant claimed in arrears). The Council will need to determine whether and how to proceed with the scheme at a future date. This may be with a joint venture partner and may involve the Council financing some or all of the development – subject to Cabinet /Council determination.

(x) Pelham Crescent – Building Works and Road (£144,000)
In line with the strategic priority of an attractive town, the council is working with property owners to restore the crescent and roadway. Much of the work is

conditional on receipt of external grants and contributions, and works to the road may not be completed until 2021.

(xi) Priory St Multi Storey Car Park (£140,000)
In line with the strategic priorities of an attractive town and economic and physical regeneration, the Council needs to maintain the multi storey car park. This relatively small project will see lighting replaced, rewiring and automated gate controls.

(xii) Sea Defences (£35,000 groyne refurbishment)
Preserving sea defences and the town is a key priority. This work is mostly 100% grant funded. The Council funds the groyne refurbishment works and sets aside £35,000 p.a. for this.

(xiii) Public Realm (£50,000)
In line with the strategic priorities of an attractive town, the Council sets aside £50,000 annually to seek to maintain the fabric of the town e.g. signposting, benches, seats, planters, highway and lighting improvements.

(xiv) Disabled Facility Grants (£1.8m (Est) – all grant funding)
Property related grants for adapting homes. In 2019/20 the Council will receive funding approaching £1.812m. The figure for 2020/21 is as yet unknown.

(xv) Empty Homes (£50,000)
In line with the strategic priorities of creating decent homes and intervention where it is needed, the Council seeks to compulsory purchase properties that are long term empty, in order to bring much needed homes back into use.

(xvi) Cornwallis Street Development (£6.5m of which £500,000 is expected to be spent in 2020/21)
The redevelopment of Cornwallis street car park for a hotel. This is expected to help regenerate the town centre, provide much needed overnight accommodation, as well as securing new jobs.

(xvii) Castleham Car Park resurfacing (£100,000)

(xviii) Electric Vehicles (£172,000)
A number of vehicles have been identified as requiring replacement. The Council will seek to replace with electric vehicles. The costs above include some £8,000 for associated infrastructure – charging points. The replacement programme will be reviewed and updated on a regular basis (currently includes 2020/21 and 2021/22 requirements).

Capital Expenditure 2021/22

11. The main areas of expenditure in 2021/22 are Priory Meadow – contribution to Capital costs (£400,000), Cornwallis Street Hotel development (£6.5m), energy (£1.9m potentially for ground mounted solar, £1.638m potentially for solar panels, £2.116m unallocated), potential loans to Hastings Housing Company (£3.9m), Disabled Facility Grants (£1.8m), Buckshole Reservoir (£627,000), Groyne refurbishment (£35,000), Empty Homes (£50,000), Electric Vehicles (£86,000)

Capital Expenditure 2022/23

12. The main areas of expenditure are currently, Public Realm (£50,000), Groyne Refurbishment (£35,000), Disabled Facility Grants (£1.8m).

Summarised Capital Expenditure and Funding (2019-20 (Revised) to 2022-23)

13. The table below shows a summary of the expenditure for the current and next three years, along with the projected borrowing requirements.

	Revised 2019/20 £'000s	2020/21 £'000s	2021/22 £'000s	2022/23 £'000s
Gross Capital Expenditure	18,461	26,100	19,122	1,882
Net Capital Expenditure	15,580	16,936	17,310	70
Financing from own resources	185	185	208	70
Borrowing Requirement	15,395	16,567	17,102	0

Financing the Capital Programme

14. The Council can invest in a capital programme so long as its capital spending plans are "affordable, prudent and sustainable".

15. The main sources of finance for capital projects are as follows:

- Capital receipts (from asset sales)
- Capital grants (e.g. Disabled Facilities Grant)
- External contributions (e.g. Section 106 developers' contributions)
- Earmarked Reserves
- Revenue contributions
- Borrowing including internal (Capital Financing Requirement).

16. Borrowing (or Capital Financing Requirement) makes up the most significant element. While the Council has sufficient cash and investment balances in the near term it is able to internally borrow but in the future will need to borrow externally in addition to the estimated £65m which will have been borrowed by 31 March 2020.

17. The Capital Financing Requirement is reduced over the life of individual assets by an annual contribution from revenue (Minimum Revenue Provision). Further information including borrowing forecasts, the provision for the repayment of debt, and borrowing limits are set out in the Treasury Management Strategy. The table below shows the projected indebtedness of the Council based on the current Capital programme and expected levels of capital receipts, grants and contributions.

Table: Capital Financing Requirement (CFR) less Minimum Revenue Provision (MRP)

CFR	2019/20 (Rev Est)	2020/21 (Est)	2021/22 (Est)	2022/23 (Est)	2023/24 (Est)
	£	£	£	£	£
CFR-Opening	59,370,380	73,641,380	88,471,380	103,737,380	101,267,380
Less MRP	(1,176,038)	(1,623,844)	(1,883,773)	(2,424,943)	(2,434,520)
Plus, New Borrowing	15,395,000	16,567,000	17,102,000	0	0
CFR Closing	73,589,342	88,584,536	103,689,607	101,312,437	98,832,860

18. The table above highlights that by 2021/22 the level of debt will have increased to some £104m (subject to viability and the approval of schemes within the Capital programme)

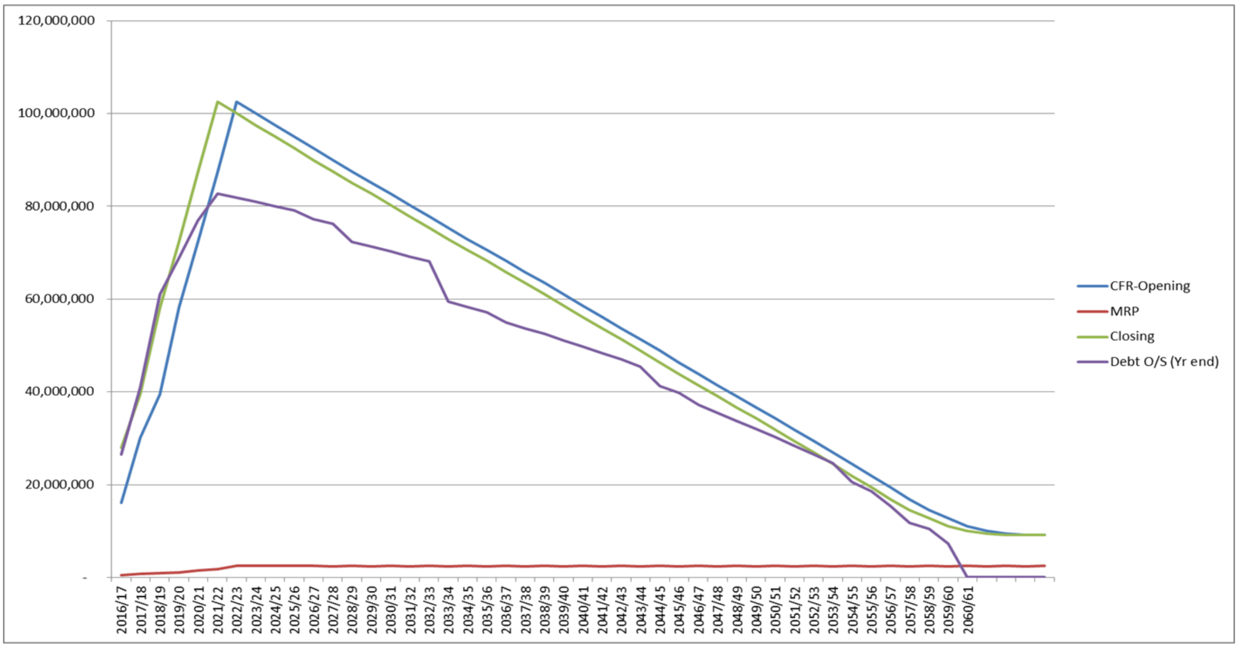
Revenue Consequences of the Capital Programme on the General Fund

19. Not all projects provide savings or generate income but, in aggregate, the capital programme is forecast to have a positive net benefit to the General Fund.

20. The majority of the Capital programme has a positive impact on the ongoing resources for the Council. A number of the larger schemes listed in the Capital programme will generate income for the General Fund (included in the main budget report).

21. Borrowing has long term revenue consequences. The table below shows the projected levels of debt up to 2061/62 as a result of the Council's current and past programmes. The debt is reduced by the MRP each year. The overall level of debt needs to be viewed against the overall Long Term Assets of the authority which stood at £158.774m at 31 March 2019 (£141.89m as at 31 March 2018).

Table: Borrowing and Repayment Projections (to 2060/61)



Financial Risk Management

22. The treasury management strategy outlines in some detail the economic environment and the risks that the Council faces in managing its investments and borrowing activities

23. A significant proportion of the Council’s capital programme is likely to be financed by borrowing and this exposes the Council to the risk of changing interest rates and the ability to afford debt repayments.

24. Where borrowing finances commercial property the Council is increasingly dependent upon the income streams to finance the debt repayments. No matter how good the tenants, and how much of the debt is at fixed rates, there is a limit to the exposure that is acceptable without putting the Council at complete risk of being unable to provide key services in the event of a significant recession.

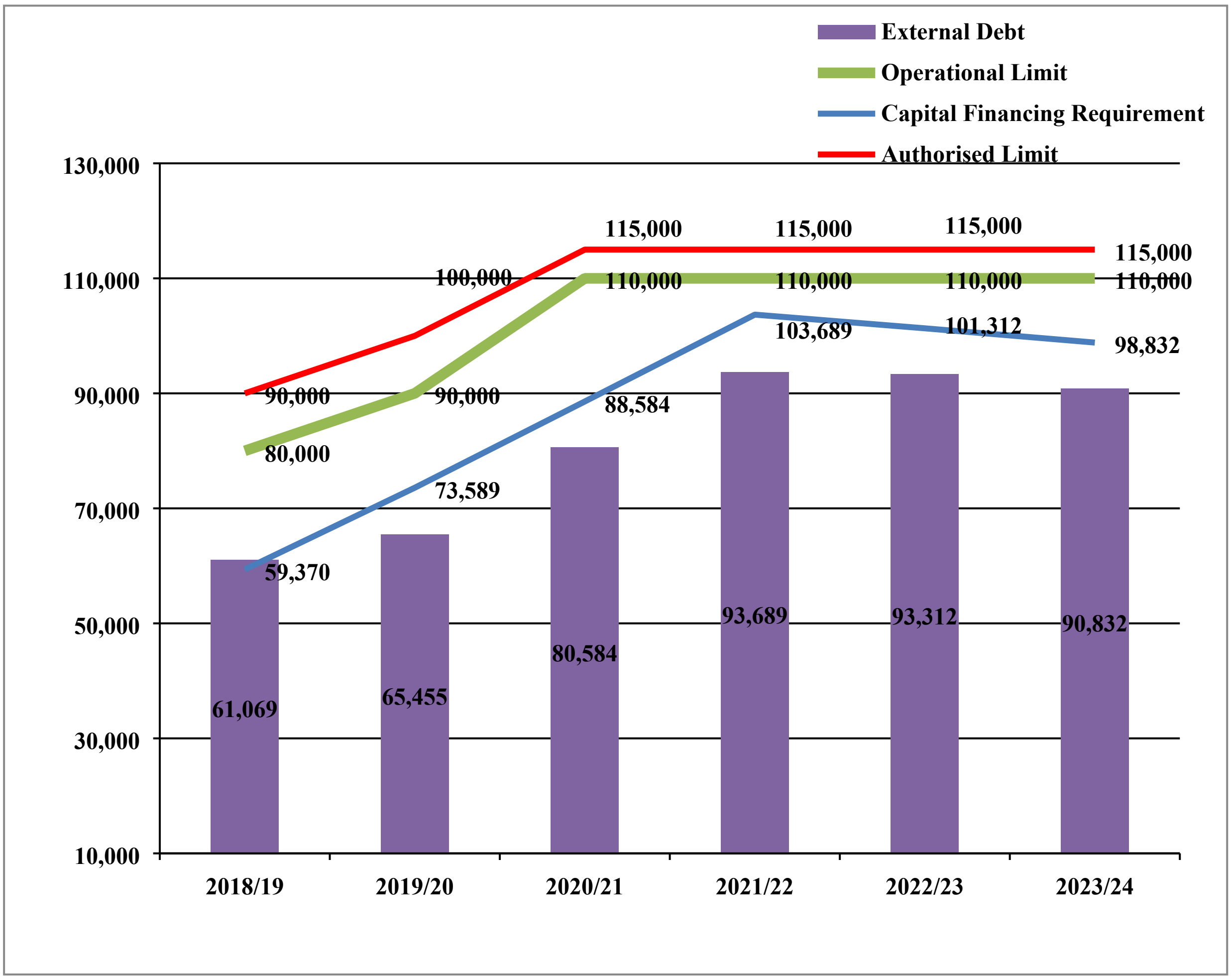
25. To arrive at an overall borrowing level (Authorised and Operational borrowing limits), the Council needs to take a considered view of its other potential liabilities, future borrowing requirements, guarantees and loans given, bad debts, claims against the Council , future funding, and security and diversity of the existing income streams.

26. Based on the existing Capital programme, by 2022/23 annual interest on debt will amount to some £3.1m p.a. with capital repayments approaching £2.4m, offset by investment income. This represents some 35% of the net revenue stream (amount met from government grants and local taxpayers).

27. The full Council determine the total limits on borrowing.

28. The graph below demonstrates the relationship between the various boundaries and limits and the actual borrowing undertaken to date or planned. The gap between the external debt and CFR also helps to illustrate the level of internal borrowing and potential interest rate exposure. The gap between the CFR and Operational Boundary/Authorised Limit highlights the potential scope/flexibility to borrow further, if the cashflow and treasury management position dictates.

Table: External Debt, Authorised limits and CFR Projections



29. In terms of cash backed investments, the Investment Policy provides strict guidance on the counterparties the Council is prepared to invest with and for what periods. The Council invested £2m in a property fund (CCLA) in April 2017 and has invested a further £3m tranche of monies in a diversified investment fund in 2020/21.

30. In terms of asset backed investments and projects e.g. involving commercial property and housing, the business cases will look to identify the alternative options and uses of the premises should they become vacant. The Council increased the minimum level of reserves held in recognition of the fact that there will inevitably be void periods, and expenditure will be incurred in updating

properties from time to time in order to re-let them. Where the Housing Company is concerned it will need to retain sufficient working balances to re-let and refurbish properties. It is important that void periods are minimised and that properties acquired are not inherently defective.

31. Some projects such as the solar panel installations have some asset backed values, but the ability to meet the debt repayments from energy savings and sale of the surplus energy will remain a risk unless long term forward sale agreements are made. However such long term agreements come at the cost of not necessarily obtaining the maximum income. A balance of risk and reward needs to be achieved.

Loans and Guarantees

32. The Council is required to maintain a schedule of loans and guarantees to other organisations.

Table – Loans to Other Organisations

3rd Party Organisations	Rate/ Return (%)	Start Date	End Date	Principal Outstanding £	Term
Amicus /Optivo	3.78%	04/09/2014	02/09/2044	£1,788,235	Fixed
The Foreshore Trust	1.66%	21/03/2016	20/03/2026	£185,915	Annuity
The Source	2.43%	17/12/2015	16/12/2024	£15,718	Annuity
			Total	**£1,989,868**	

33. The above table excludes the loans to Hastings Housing Company, which are of both a Capital nature (as per the capital programme) and of a revenue nature. The latter loans are made on a daily interest basis and reflect the net indebtedness of the company on any one day.

34. The Housing Service provides loans and guarantees to individuals for rent in advance and rental deposits and the Council also provides a limited loan facility to staff for car loans, season tickets, and bicycle loans.

35. The Council has other liabilities that need to be considered when assessing the overall financial position of the Council e.g. potential legal claims, pension liabilities.

Reserves

36. The Council maintains reserves for specific purposes (earmarked reserves) and also a general reserve for unavoidable future liabilities. An absolute minimum level of reserves to be maintained has been set at £6m. The adequacy of the reserve levels are reviewed on a regular basis, and particularly when determining the budget.

37. The Council's General and earmarked reserves are set to fall further over the forthcoming 12 months. The balance at 1 April 2019 was some £18.4m. At the 31 March 2020 the projected balance is some £15.3m with the balance at the end of 2020/21 amounting to some £12.9m. If Clinical Commissioning Group and Disabled Facility Grant monies are excluded the balance at the end of 2020/21 reduces to an estimated £10.5m.

38. The reduction in balances will result in less interest being earned on investments, greater short term borrowing to match cash flow requirements, along with the need to match future renewal and repair commitments to available resources. If general reserves are used to a significant level to finance emergency or non-avoidable expenditure then future budget cuts (potentially in-year) will be required to restore reserves to minimum levels.

Risk Appetite & Prudential Indicators

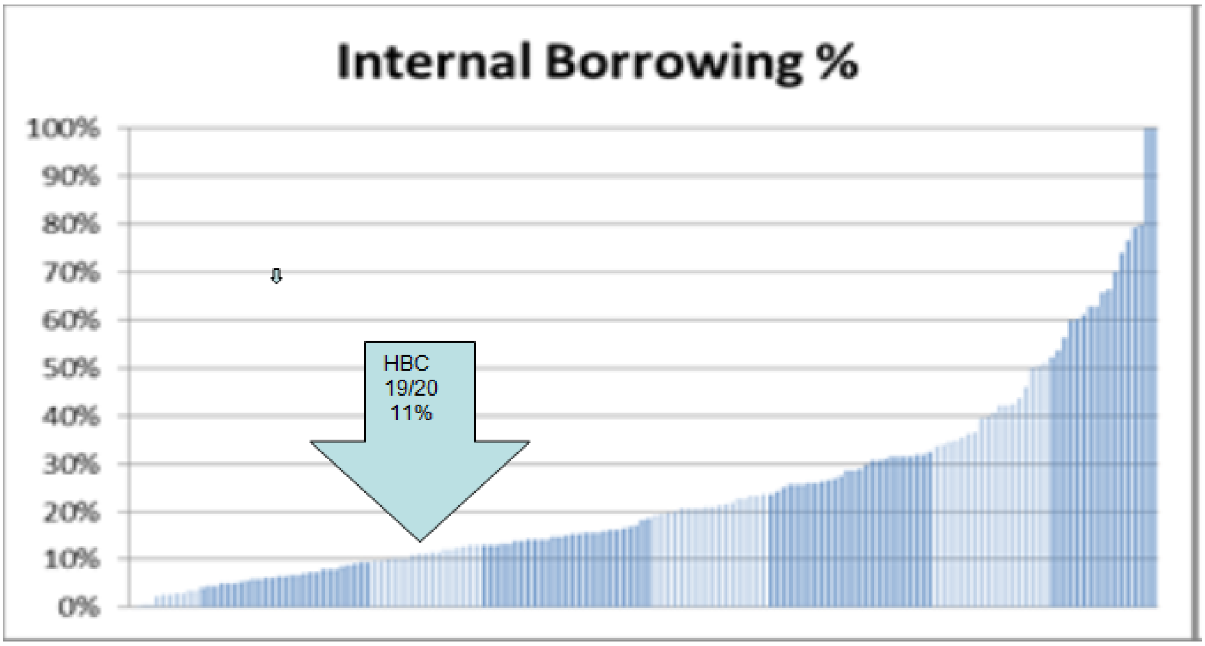
Internal Borrowing

39. When undertaking Capital projects or purchasing new assets, the Council has a number of options as to when and how to finance these. If there are no grants or revenue resources and no capital receipts the Council will finance by borrowing. If it delays the borrowing then it will be using its own monies (Internal borrowing - generally reserves) to temporarily to fund the assets.

40. If an authority has a large internal borrowing position, this will mean that reserves and balances have temporarily been used to support borrowing positions and therefore the reserves will not be backed by cash in the bank. This position continues to work for many, but as reserves and balances are utilised in the years ahead and balances fall, this will reduce any ability to internally borrow and may bring forward the need to borrow externally (potentially at a time of high interest rates, or when there is limited ability to borrow externally).

Table showing levels of Internal borrowing in Councils (Link Asset

Service's Client Base)



41. The Council's Treasury advisers have undertaken a review of client's balance sheets and the average level of internal borrowing is, from the above graph, just under 20%. The level will vary depending upon when an authority finances expenditure and when debt is refinanced.

42. For Hastings BC the Council has sought to achieve near full financing of the Capital programme over the last two years in order to take advantage of the historically low borrowing rates and avoid the risk of having to lock into high interest rates when it has no option but to borrow.

43. For 2019/20 the level of internal borrowing by year end is some £8.1m out of a total borrowing requirement of some £73.6m (11%)

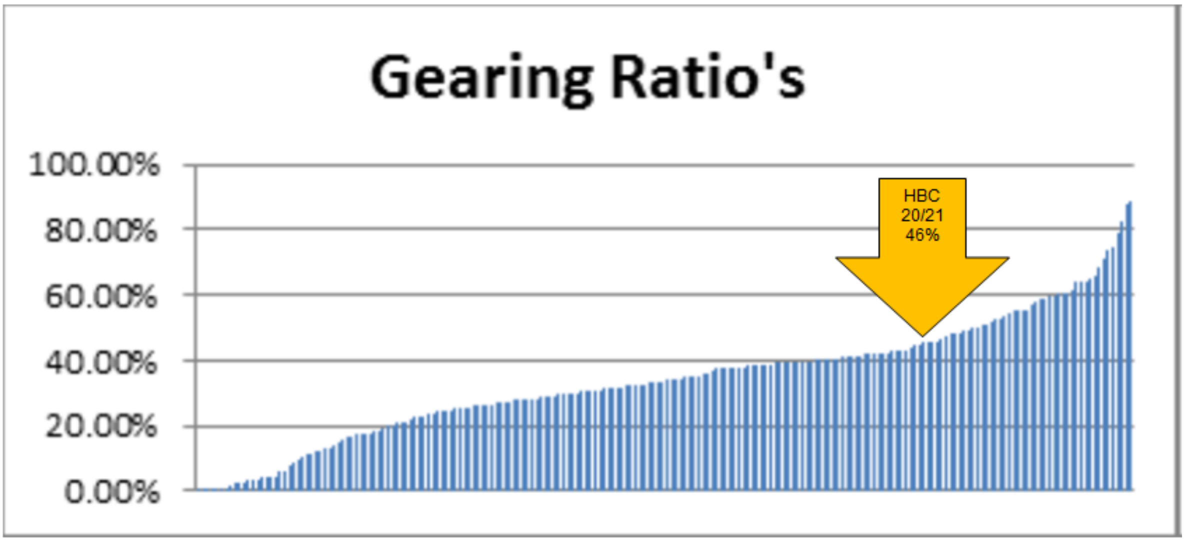
Gearing

44. Gearing has predominantly been a debt metric used by the private sector more than the public sector, but recent moves towards commercialism opportunities and investments means that borrowing is a much greater risk and gearing is an appropriate prudential indicator.

45. Based on Link Asset Services' analysis of balance sheet positions for 2017/18, gearing ratios for over 200 authorities averages out at around 35% when comparing **Capital Financing Requirements (CFR) to total Long-term Assets reported**.

46. Due to the nature of assets held, services provided and historical debt decisions, positions will vary across different types of authority.

Table showing Gearing ratios in Councils (Link Asset Service's Client Base)



47. Gearing provides an early indication of where debt levels are rising, relative to long-term assets held.

48. Despite some of the adverse publicity around local authority finances, it can be argued that gearing of 35%, on average, is not a bad position for the sector to be in, as in simple terms 65% of the costs of long-term assets have been paid for, with debt outstanding on the remaining 35%.

49. For Hastings, the gearing ratio of debt (CFR) to long term assets is set to increase from 37% in 2018/19 to 46% in 2020/21 (assuming no changes to asset valuations and Capital programme). When compared against the net assets of the authority the ratio increases to some 120% in 2020/21.

50. In the private sector gearing is generally calculated on net assets and a generally accepted norm is a ratio between 25% and 50%. The risk exposures are generally deemed to be greater where a company has much of its borrowing at variable rates – which is the opposite of the Council's position.

51. **Table showing Future Projections of Gearing Ratios – based on Capital programme**

Gearing Calculations	Actual	Estimates					Operational Boundary
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Capital Expenditure (net)		15,580	16,936	17,310	-	-	
New borrowing		15,395	16,567	17,102	-	-	
Net Assets	73,497	73,682	74,051	74,259	74,259	74,259	74,259
Long Term Assets	158,774	174,354	191,290	208,600	208,600	208,600	219,768
Capital Financing Requirement	59,370	73,589	88,584	103,689	101,312	98,832	110,000
RATIOS:							
Debt: Net Assets	**81%**	**100%**	**120%**	**140%**	**136%**	**133%**	**148%**
Debt: Long Term Assets	**37%**	**42%**	**46%**	**50%**	**49%**	**47%**	**50%**

52. The Council's position will move from being just below the average to just above it. If the Council borrowed at the limits to its current Operational boundary (£110m), then debt to long term assets ratio could rise to 51%.

53. At the end of the day, any outstanding debt comes back to affordability, prudence and sustainability principles which are at the heart of the Prudential Code and have been since its inception in 2004.

54. The Chartered Institute of Public Finance and Accountancy have issued a clear statement on the levels of debt that Councils in general are accumulating following the purchase of commercial assets in particular. Such borrowing must be proportionate to the size of the authority. Further detailed guidance was released in autumn 2019. The government have also advised that they are keeping lending to local authorities under review – resulting from the activities of a few.

55. Any new limitations on accessing PWLB monies could have significant implications for the Council.

Ratio of Financing Costs to Net Revenue Stream

56. Financing costs are the element of the budget which an authority is committed to, even before they have run a single service or incurred any other costs as they reflect the current costs of previous/planned capital financing decisions.

57. In Hasting's case the ratio of financing costs in 2020/21 represents, 24%, of the Net Revenue Stream (Appendix 1), which only leaves 76% of the revenue stream for all the other services to be provided. The higher the percentage, therefore, the less is left for running services.

58. If the Net Revenue Stream is reducing, as funding sources are reduced over time, then even though financing costs may be fixed through fixed-term loans and interest rate certainty, the ratio will potentially continue to climb leaving less available for front-line services and placing further pressures on budget positions (Increases to 36% by 2022/23).

59. However, the income the Council receives from rents and fees and charges decreases the net expenditure of the Council. The calculation of debt charges to "the amount to be met from Grant and Collection Fund" as a proxy for the "Net Revenue Stream" therefore has to be treated with considerable caution.

60. This leads back then to local decision making and the need/objectives behind capital investment. Business cases must identify ongoing revenue implications and hence affordability. The Treasury Management Strategy includes a prudential indicator that identifies the ratio of financing costs to Net Revenue Stream. This is a further way of ensuring that affordability, prudence and sustainability considerations are kept to the fore in treasury reporting.

Future Capital Expenditure – What is not yet included in the Capital Programme or within the Borrowing limits?

The Council's expenditure plans are evolving

Bexhill Road – lower tier site

61. The site having the potential for some 170 new homes. In October 2018 cabinet approved the progression of this project. Namely that the council enter into an agreement with Homes England to access the Local Authority Accelerated Construction fund to enable plans for flood remediation and other infrastructure measures to be undertaken.

62. The cabinet also agreed £25,000 be identified from general reserves to fund taxation and legal advice for setting up a joint venture.

63. The Council has received a near £7m grant from Homes England to bring forward the site, undertaking flood protection/ remediation works. A further report is to follow on viability and how to proceed with the scheme e.g. joint venture. The Council's contribution would, as a minimum, be the value of the remediated land but there may well be a call for development funding beyond this, as well as providing loan finance.

Industrial Units – Churchfields Estate (Sidney Little Road)

64. The Council has a substantial plot of undeveloped industrial land. There is potential to develop the site

    Plot 1 – 29 Starter Units (now included in Capital Programme)
    Plot 2 – 35,000 Sq. ft. factory
    Plot 3 – 3 to 8 factory units (flexible sizes)

65. The initial estimates identified construction costs for the 3 sites at some £9.3m. External funding has been agreed for Plot 1 which makes this part of the project viable. Given the current rentals chargeable in Hastings, the remaining sites are

not viable without external funding. There is expected to be the opportunity to bid for further development funding or alternatively make use of the Towns Fund.

Development Sites – HBC Land

66. The Council has a number of sites that are suitable for development and/or disposal. Namely,

- Harrow Lane - £27m construction costs (140 units)
- Mayfield E - £7.3m construction costs (38 units)
- Bexhill Road -Land rear of 419- 447 Bexhill Rd - £2.9m construction costs (16 units)
- Sandrock - (£2.2m (10 units) to £15.6m (81units) construction & site acquisition costs

67. If the Council sought to develop all these sites at the same time and did not phase the developments the borrowing requirement would be between £39.4m and £52.8m. Given the Council's need for Capital receipts the budget report has proposed the sale of such sites (unless an alternative viable option is identified that generates similar revenue streams within the same timescales).

Bohemia

68. The Travel lodge site looks likely to progress to redevelopment, along with the construction of a significant number of new properties.

69. Whilst feasibility studies are ongoing, the major attraction for developing this area would be a new sports and leisure complex. Whilst it is not known whether this is financially viable the Council would have the option of funding this itself, in which case it could be looking for financing (borrowing) of up to an estimated £70m.

Commercial Property/ Housing/Energy Initiatives

70. The Capital programme includes new monies for Commercial property acquisitions, energy and housing projects. For such projects to proceed they will be subject to a viable business case being produced, or where the housing company is concerned a revised business plan.

Other Expenditure

71. There are other items of expenditure that the Council needs to be conscious of when considering future budgets.

    These include:

- Priory Street multi-Storey Car Park - Major refurbishment (£1.4m 2025/26)

- Playground – Repair and Refurbishment (£50,000 p.a. 2022/23 onwards)
- Public Realm (no specific projects yet identified in current programme)
- DSO Street cleaning vehicle replacement (£1m -£3m in 2025/26 and every 7 - 10 years thereafter)
- Cliff works – Programmed and reactive repairs (£100,000 p.a. initially financed from the Renewal and Repairs Reserve. Future replacement of catch fencing could result in expenditure of £1m+ within the next 20 years).
- West Marina – Ministry of Defence Site and Ex Stamco site; the potential to acquire the site and develop it will be explored further.

Corporate Governance Arrangements – Project Approval Process

72. The Council has an ambitious Corporate Plan, and it remains important that the capital programme remains realistic in terms of resources and timescales to achieve the desired outcomes.

73. The Council has a number of project management procedures and tools in place for managing individual projects. Key is the project initiation stage, the approval process and thereafter effective performance monitoring and reporting. A business case is required in most instances, and/or a detailed report to cabinet/Council.

74. Major projects are likely to have impacts on other key services such as Legal, Finance and Estates teams depending upon the nature of the projects. External support is commissioned where there is insufficient capacity, knowledge, or expertise within the Council. Cabinet and the Overview and Scrutiny Committee receive quarterly updates on financial performance (including the capital programme).

75. Commercial Property purchases are approved by Cabinet, with delegated authority normally provided thereafter to the Chief Finance Officer in consultation with the leader to negotiate the final terms. The Council's legal team, surveyors and Corporate Property Officer are all closely involved. The Council will normally employ the services of an agent to advise on the price and conduct negotiations. Necessary due diligence is conducted and externally specialist surveyors and advisors employed as necessary. The Council has had a large property portfolio for many years. More recently it has acquired a number of commercial sites within the borough as well as developing its own. As at 31 March 2019 the Council's Long term Assets were valued at some £158m whilst debt (CFR) amounted to some £59m.

76. In terms of Housing, the Council has set up its own housing company (Hastings housing company) which is wholly owned by the Council. It acquired its first property in March 2018. The company has its own set of procedures, which generally mirror the due diligence requirements of the Council. The Council lends money to the company at the EU prescribed market rates. The housing company produces annual accounts.

Repair and Renewal Programme

77. The Council has a comprehensive repair and renewal programme. There are elements of a reactive and recurring nature and a separate costed schedule for planned maintenance items (See budget). The Council contributes an annual sum of £508,000 to a reserve which funds the programme. In 2019/20 the expected spend amounts to £906,000 and in 2020/21it is estimated at £912,000. As a result of expenditure exceeding income the balance on the reserve is expected to fall to some £797,000 by the end of March 2021.

Information Technology Reserve

78. Like most Councils and businesses the Council is totally reliant on effective IT in order to deliver services. The Council is continuously improving systems and looks to streamline service provision wherever possible. Business continuity planning remains vital against the continuing systems attacks that are experienced, and it remains critical that systems and virus protection software remain updated.

79. Like the Repair and Renewal programme the costs of acquiring and the updating of systems does not fall uniformly in any one year and hence an annual contribution is made into an IT Reserve.

80. The Council contributes £214,000 p.a. into the fund. The expenditure is estimated at £243,000 in 2019/20 and £214,000 in2020/21(Please see budget).

81. The balance on the fund is expected to be £124,000 by the end of March 2021.

Knowledge, Skills and Training

82. In order to deliver the Capital Programme it is essential that the Council has access to the right knowledge and skills. The Council employs fully qualified and experienced staff such as solicitors, estate managers, surveyors and accountants.

83. The Council maintains a training budget, recognising that it remains critical to the organisation to have a well trained and motivated workforce. The Council provides on-line training courses, internal and external training, to enable staff to complete their Continuing Professional Development (CPD) requirements.

84. The Council seeks to ensure members have access to training opportunities in order for them to adequately undertake their governance role. Workshops and training events are held on a regular basis.

85. Where specialist knowledge is required the Council will obtain expert advice, particularly around property specialisms, taxation, and legal advice.

Summary

86. The Council, which has significant deprivation levels, understandably has an ambitious Corporate Plan. This is set against a background of severe funding reductions, and the need to provide good services to the many visitors, residents and businesses.

87. The Capital programme is heavily reliant on borrowing, and will continue to be so especially given that the Council is looking to develop its own land. The benefit of doing so is to ensure new homes are built and the profit generated remains within the borough.

88. The Council may well wish to progress the development of its own land rapidly following outline planning permission. Given the scale of the developments, the current risks to the economy the Council will need to determine a strategy for the development of these sites that takes accounts of the risks, the timing of other developments in the borough and the sale of some sites.

89. The Council's existing borrowing levels are not considered excessive. However a downturn in the economy with resultant loss of income would require the Council to make greater service cuts to balance the budget. With some £14m of income from fees and charges (including rents) a small reduction has significant implications if prolonged. Whilst the Council still has reserves the level of unallocated General Reserve will only be marginally above the minimum recommended level by the end of 2020/21 (£6m) – and the Council must look to achieve a sustainable and balanced budget in 2021/22.

90. The investments that may be made in Energy, Housing and Commercial Property are expected to make significant contributions to the Council's budget and thus help to preserve services and jobs within the borough.

91. This Capital Strategy and the Treasury Management Strategy is likely to be reviewed and updated during the year, and put before full Council, as and when the Council's spending plans are developed further.

Consultation and Communication

92. The detailed Capital Programme is included within the Council's budget which is on the Budget Cabinet agenda. The programme supports the Council's Corporate Plan which is likewise on the same Budget Cabinet agenda.

93. The draft Corporate Plan and draft budget for 2020/21 are subject to public consultation from the 10 January 2020.

Equality Impact Assessment

94. Equality Impact assessments are considered as part of the business case when considering individual capital proposals.

Appendix 1

Financing Costs to Net Revenue Stream

Prudential Indicator: Financing Cost to Net Revenue Stream	2018/19 Actual	2019/20 Rev.Est	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
Financing Costs	£'000	£'000	£'000	£'000	£'000
1. Interest Charged to General Fund	1,218	1,914	2,315	2,869	3,152
2. Interest Payable under Finance Leases and any other long term liabilities	-	-	-	-	-
3. Gains and losses on the repurchase or early settlement of borrowing credited or charged to the amount met from government grants and local taxpayers	0	0	0	0	0
4. Interest and Investment Income	-303	-544	-818	-787	-771
5. Amounts payable or receivable in respect of financial derivatives	-	-	-	-	-
6. MRP, VRP	795	1,176	1,624	1,884	2,425
6. Depreciation/Impairment that are charged to the amount to be met from government grants and local taxpayers	-	-	-	-	-
Total	1,710	2,546	3,121	3,966	4,806
Net Revenue Stream					
Amount to be met from government grants and local taxpayers	13,373	13,329	13,063	13,392	13,493
Ratio					
Financing Cost to Net Revenue Stream	**13%**	**19%**	**24%**	**30%**	**36%**

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