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Cabinet Agenda

Monday, 8 February 2021 at 6.30 pm

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Agenda Item 4

Report To:	**Cabinet**
Date of Meeting:	**Monday, 8 February 2021**
Report Title:	**Corporate plan draft annual update and draft budget consultation responses 2021/22**
Report By:	**Jane Hartnell, Managing Director**
Key Decision:	**Y**
Classification:	**Open**

Purpose of Report

To present the draft annual update to the Council's Corporate Plan 2020-24. The annual update reflects the changes in the context within which we are now working and summarises some of the key activities the council will undertake in 2021/22.

To present to Cabinet the consultation feedback summary and responses from the exercise to seek local people's views on the draft corporate plan annual update and draft budget.

Recommendation(s)

1. **That Cabinet recommends to Full Council, to note and approve the draft annual update to the corporate plan 2020-24, subject to the proviso that any significant amendment made to the council's draft budget be reflected in the update.**
2. **That delegated authority be given to the Managing Director, after consultation with the Leader of the Council to make further revisions as is considered necessary, 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 annual update to the corporate plan as its statement of strategic direction for the period 2020 - 2024, mindful of the views received as part of the public consultation.

Introduction

1. The council agreed its corporate plan (2020-24) and budget (2020-21) back in February 2020. Shortly after, COVID-19 spread with unprecedented impacts across the globe.

2. As a result, alongside other local authorities and their partners, HBC took on, and continues to take on, several new activities, roles and responsibilities.

3. In October 2020 the council's COVID-19 recovery themes and actions were approved by cabinet, setting out new and or changed council activities at that time in response to the ongoing pandemic.

4. The council's recovery themes and actions align with ongoing partnership working with the Hastings and St Leonards Local Strategic Partnership, reflected in the town wide response and recovery efforts, and a shared statement of intent.

5. This report sets out the annual updates that are proposed to the corporate plan (2020-24) reflecting our current response and recovery intentions, and associated performance reporting arrangements for 2021/22 together with consultation feedback summary on the corporate plan and budget (Appendix B).

Corporate plan 2020 – 2024 what's new?

6. The bulk of the corporate plan 2020-24 is unchanged, this includes our approach and the three outcomes and six priorities.

7. Where new data is available, the 'Our borough' and 'Your council' sections have been updated to provide the latest figures. These set the local scene and give the demographic context for the key work we are doing.

8. The draft corporate plan annual update is set out in appendix A. The headline key activities proposed for delivery in 2021/22 include:

   a. ongoing actions – including those that were paused or delayed by the pandemic or which were not expected to be completed in 2020/21

   b. the relevant recovery themes and actions commitments agreed by Cabinet in October 2020

   c. new key activities

9. The pandemic continues to bring into sharp focus a continued need and desire to work together with our partners and residents so that together our town can emerge from the pandemic better and stronger.

10. This partnership focus was identified in the recovery themes and actions commitments agreed by Cabinet in October 2020 alongside a desire to ensure that our most vulnerable residents continue to be prioritised in line with the Council's equalities intentions.

11. Both a partnerships and equalities focus cross cut the priorities in the corporate plan, our recovery themes and actions, and the proposed updated headline key activities for 2021/22.

12. Following approval of the draft annual update, further work will be undertaken to firm up milestones and measures for each key activity so performance can be tracked via the reporting arrangements for 2021/22 outlined below.

Performance reporting 2021-22

13. In December 2020 we began publishing performance information online via a new performance dashboard. We intend to further refine and improve this approach in 2021/22. The key activities included in the annual update will be incorporated into this dashboard from the 1st of April 2021, so that local people can hold the council to account for its performance.

14. On this Dashboard there are a number of performance indicators that will continue to be monitored that complement key activities. The targets for these performance indicators will be set after the year-end in March, as identified in the next steps table below at paragraph 18.

15. In addition, the Overview and Scrutiny (O & S) committee will continue to monitor performance quarterly, these meeting are held in public and are streamed live on our website.

Consultation

16. Comments on the annual corporate plan update and draft budget have been sought from residents, council staff and a range of community and business organisations.

17. The consultation closed at 9am on the 8th February 2021 after publication of this report. A summary of the responses received prior to publication of this report is attached below at Appendix B. All other comments will be published as a supplementary item just before the meeting.

Equalities

The draft assessment of equality impacts on the service changes proposed is included with the draft budget proposals for 2021/22 within Appendix K2.

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

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

Action	Key milestone	Due date (provisional)	Responsible
Corporate plan annual update finalised and published on the council's website	Updates approved	1st March 2021	Continuous Improvement and Democratic Services Manager
2021/22	Dashboard	1st April 2021	Continuous

performance milestones and measures integrated into performance dashboard	refreshed.		Improvement and Democratic Services Manager
2020/21 yearend performance data collated and used to propose draft Performance Indicator targets for 2021/22 for consideration by O&S and Cabinet	Cabinet report	July 2021	Continuous Improvement and Democratic Services Manager

Wards Affected

All wards

Policy Implications

Reading Ease Score:

Have you used relevant project tools: Basic scope, SWOT
Please identify if this report contains any implications for the following:

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

Additional Information

Appendix A – Draft headline key activity updates 2021/22
Appendix B - Consultation feedback summary and responses

Officer to Contact

Officer Mark Horan
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Appendix B

Draft Corporate Plan update and draft Budget Consultation feedback summary

Hastings Area Chamber of Commerce

19. Councillor Forward attended the chamber meeting on 28 January and presented the updated corporate plan and draft budget. The Assistant Director for Finance and Revenues also contributed responses where appropriate:

a) Question: As a result of the announcement on the closure of Debenhams and amongst other challenges in the town centre, what is the impact on the local economy and to the council?

Response: We have reached out and will welcome a discussion with the new owner. It is a very sad time for those working there and we should spare a thought for people's livelihoods. In terms of what might happen going forward, it is hoped this will be a chance to reinvigorate the town centre. The Town Deal board is looking at the town centre being a hub for regeneration, and it is hoped that the building, being a prominent one in the town centre, can be part of this.

b) Question: Is there no decision yet on what is happening with business rates? Will there be an extension of the grace and is there any lobbying going on by the council or district?

Response: Certainly, as lockdown carries on, Government have said they will continue to look at this and there will be announcements on 3rd March. Until then, we haven't received any other notifications. Bills will be going out as normal, but we may have to re-bill which causes additional costs for us. Until then, things remain uncertain.

c) Question: In terms of Locate East Sussex work, we are particularly interested in the mix of office space, co-working space and the provision for industrial space around the town.

Response: The draft Local Plan is out for consultation and this looks to support a future scenario including all of those mentioned, including more residential and mixed developments. We are looking at co-working space, remembering that there are lots of creatives in the town and we need to identify their needs, look at developing places that people will want to live and work. We are hoping the Town Deal will be successful in regenerating and reinvigorating the town going forward. When we see the projects listed in it, we may not necessarily support all of them, but it is hoped that partners can support it.

The council has many assets and we own a 10% stake in Priory Meadow as the freeholder. We are very interested and committed to ensure this is a viable and vibrant proposal going forward. There is some good news though in terms of office space, the DWP has recently finished the fit out of Lacuna Place and it is hoped it will be filled up with office workers shortly. In terms of Churchfields Industrial Estate, there is considerable investment hopefully through the Town Deal, and the first phase is for 29 start-up units, followed by other mixed-use units. This is an opportunity to not only look at industrial but also office space. It is also hoped that we can rent out spare office space at Muriel Matters House. If we successfully get the Town Deal, it will give us a foot in the door to make the necessary changes.

d) Question: With the English Channel on one side and the physical restrictions to the space that we have, how does the council go about maintaining the commercial space?

Response: There is real pressure on maintaining it and with more demands on broadband and working from home and more remotely. Cheaper accommodation costs are needed and we need support, although all commercial units are fully let, which is good news but there is still lots of pressure.

e) Comment: One key thing is that businesses have consciously commented on is the support received from the council. However, one regular negative comment we get from members and non-members is around planning, on brownfield and redevelopment of existing offices or industrial units. There are often issues getting planning permission on most of the schemes. Any support from planning and if they can be more flexible, will be gratefully received.

Response: There are constraints that the planners work under. However, please do have early conversations with them where you can, so we can assist better in the early stages. I would be interested to hear examples of difficulties so we can continue to see thriving businesses and a successful economy. Thank you for the positive comments, I recognise how difficult things are for all.

f) Comment: The Chamber is part way through a survey and will share the results. One point is a very pertinent one, it is very clear there is a high proportion of self-employed people falling through the cracks, who have been ineligible for support. This is a great concern which is regularly mentioned in the press, but the frustration is that they don't seem to be getting anywhere with solutions.

Response: The council recognises these gaps in current provision and continues to lobby for assistance and assumes the MP is doing the same.

g) Comment: It is great to hear that DWP is at the point of moving into Lacuna Place. From what we hear, going forward, the demand will come from smaller businesses. There will be less demand for large offices and more demand for small flexible work space.

Response: There is an employment needs assessment to identify what the need is in the area as part of the Local Plan consultation. Everyone is encouraged to comment if there is anything missing from it.

h) Question: Has the Local Plan consultation gone live?

Response: It went live on the council website yesterday. We are not doing face to face appointments but if you want to speak to anyone please get in touch using the details on the website.

i) Question/comment: What can the council do to help with recovery and support the visitor economy? It sounds like another year of staycations and holidays in the UK. Hastings is a tourist town and the tourism sector is the hardest hit, if we could get our 3 wonderful festivals going again, although we know we are not dependent on HBC for that, but the government. Once the green light is there, we must do everything we can do to attract tourists and money in the town. The Chamber will do everything it can to support that.

Response: We look forward to it, too. There is no certainty. People are having to make best guesses in planning for the festivals. As soon as we can, we will be behind this. Online communications, social media and Visit 1066 Country have all be successful in keeping spirits up and pushing messages out. We will all be ready to go, support and boost the local economy and get tourists to spend money in the town when the time comes. It is one of the sunniest seaside towns in the country.

j) Question: Is there any appetite to devolve power and is there a coordinated council group to undertake any local tax reform?

Response: We have sat in many meetings with ministers who have been singing our praises and it would be lovely to think the support is there. We are still busy combating Covid and responding to the needs of the town. When this is over, there will be a need to push for more funds.
On a national basis, there is a review into business rates. We are now seeing a major change in how businesses are operating, given the online competition. Business rate re-evaluation had been postponed for another year and the Fair Funding review has been suspended for another year.

k) Question/comment: Is there any update on the A21 connection? There was a flurry of activity which seems to have ground to a halt, but the lobbying is continuing.

Response: The A21 reference group hasn't met since the pandemic. Work was being done to allow access and a temporary connection was being made, but work has been delayed for some time.

l) Question: Mentioned in the presentation was work on developing pan-Sussex track and track systems. Is anything being done around mass testing, why is there none in the area and is there any work to make it happen?

Response: We have been pushing for this as hard as we can on all levels and fronts as this is what is needed in the area. It will have to be central and easily accessed and it will take some time to set up, but we are on the case.

m) Follow up comment: The Chamber is happy to help in terms of associated lobbying and support where appropriate.

Hastings Youth Council

20. Councillor Forward met the Youth Council at their meeting on the 28th of January in the Council Chamber. The following questions and comments were forthcoming:

a) Comment: Moving the Tourism Information Centre (TIC) to the college site at the station was welcomed due to its ease of access.

Response: Thanks for the support on this as there are some mixed view on relocating.

b) Question: What will be the TIC space be used for going forward?

Response: We will still use it to offer things like homeless advice and we need to retain some presence as reception for the rest of the building. We are keen to let out more of the building where we can, as the pandemic has shown we do not need all the space all the time.

c) Does homeworking work well for council staff?

Response: It depends on each individual member of staff's personal circumstances. We need to support staff needs and remain flexible where we can. We are unlikely to return to how we used the office before the pandemic.

d) Comment: Unaware that the council has a reservoir…

Response: It is a decommissioned one and is at the top of Alexandra Park.

e) Comment/Question: Interested in how the council plans to invest in the future and role of the Housing company going forward?

Response: The council was keen to use the Housing company to buy property to help address some of our housing challenges in terms of providing affordable rents. The council can now build its own homes again, so we will be looking at all options for the housing company going forward.

Staff and Management Forum (SMF)

21. The Staff and Management Forum met with the Leader and Senior Officers on 26th 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.

a) Question: When can we expect Budget Appendix K2 to be available?

Response: This will be published with the budget cabinet agenda papers on Friday.

b) Question: Is our proposed budget sustainable?

Response: Our draft budget for 2021/22 meets all legal requirements for a balanced budget.

c) Question: Is there a number for FTE posts being deleted as part of the budget process?

Response: 1.29 FTE posts are being deleted as a result of restructuring within the TIC. 1 FTE vacant post will be deleted as agreed last year from the Community Contact Centre. Housing staff reductions are also expected but do not form part of the wider budget review process. We have, and are still, lobbying central government to approve a new Selective Licensing Scheme.

d) Question: Has the funding provided by central government been enough to cover our expenditure with relation to business and other Covid support grants?

Response: Overall, yes. However, we will be unable to reclaim some loss of income and the impact of staff resources is not recognised. Further cuts to budgets will be required in future to address these burdens.

e) Question: Will 'all staff' briefings on the budget be scheduled?

Response: Staff briefings will be scheduled in February as usual and information on the budget will be included.

f) Question: Can a list of vacant posts across the organisation please be provided?

Answer: Yes, this can be provided.

Local Strategic Partnership (LSP)

22. This year an LSP meeting was not scheduled during the consultation period. LSP partners were invited to submit their comments directly via email or by attending other partnership meetings taking place during the consultation period.

Hastings Community Network (HCN)

23. Councillor Fitzgerald attended a meeting of the Hastings Community Network on 18 January. The following questions and comments were discussed.

a) Question: Why has the size of the deficit shot up?

Response: The costs of taking on additional Covid-19 work combined with loss of income, increased service costs e.g. homelessness and inability to make planned savings and investments has all meant that our future years deficits projections are higher than they would have otherwise been.

b) Comment/Question: Why is the budget showing a reduction in Community Partnership Funding?

Response: The decision was made in February 2019 to cease the community partnership funding programme and seek alternative sources of funding for the programmes this fund supported. From 2021 onwards the Foreshore Trust will be operating a new grants programme which has objectives closely aligned to the CPF schemes.

c) Questions: Clarity was sought on where the extra 340 000 on the visitor centre along with 40,500 appears in the budget and with the latter, what are the plans for the management of the centre and the HBC post that was up for deletion in the consultation this time last year?

Response: Both sums are set aside for contingency although it is hoped that contingency spend is nowhere near these worse cases. The visitor centre is nearly complete with snagging left to do and the running contingency is based on what we know of our running costs to date and the agreement with our Groundworks partners running for the first year. The post referred to was not deleted as part of the budget process last year and is not included in the list of potentially affected posts this year.

d) Question: Is there a Town Deal update?

Response: The Town Deal Board will submit the Town Investment Plan (TIP) by the deadline of 29th January – this is the early stage 'expression of interest' to the Government for funding for programmes of projects that have been identified to best meet the town's challenges. In early February the board will be launching its own communications pages and social media setting out details of the TIP and explaining the next stages of the process. The initial four projects being funded by the Accelerated Fund are progressing well and are on course to be completed by the 31st March deadline.

e) Comment/Question: Despite the budgetary challenges the council should not be inward looking, local third sector collective funds probably run a par with the Council' monies…. It is important to maintain cross sector and partnerships. It is requested that a named person by identified from the council as a link person to the partners represented at this meeting?

Response: The point is noted, and the valuable input of the sector is well recognised by HBC. We are keen to continue work with partners at a strategic level on the LSP and Town Deal Board, as well as through substantial operational delivery vehicles such as the Community Hub and projects supporting rough sleepers and homeless people.

f) Comment/question: There has been successive reductions in the council officer interface with the third sector, so the previous comment is welcomed… also how is the council mitigating against digital poverty?

Response: The council takes steps to mitigate digital poverty where we can, but our collective effort needs to be stepped up as this is not something the council alone can address, as the recent experience of lockdown home schooling has highlighted.

g) Comments: Among HCN partners there is a digital inclusion working group with a dedicated officer…it would be good to have a named officer who can liaise with this officer even if the council has little or no capacity to do any associated work in this. Warmer Homes and the Shine project has evidenced how we can work together, and we are keen for such working to continue given the shared challenge of the pandemic.

Response: A continued partnership focus is welcomed, but our challenge remains to resource work as our workforce has more than halved from around 650 posts to round about 300 now. The council is going through a period of ongoing transformation. This is why the Town Deal is such an exciting opportunity one that the whole council team will be engaged with. It is important that we ensure our key projects and programmes are effectively managed to make the most of internal and partnership capacity and the deputy leader is happy to have these conversations and to use the structures such as the LSP and SELEP so these conversations are not lost. The deputy Leader also committed to attend a future HCN meeting to continue these discussions.

h) Comment/Question: HCN need to be able to look at the budget earlier and have earlier discussions to better mitigate against the effects of reductions. What is the impact of the 96k in terms of senior management restructure?

Response: The council is committed to engaging more during the process of budget development, however pressures this year have meant this has not been possible. The £96k is the balance of the savings that were planned to be made this year from further management restructure. The restructure has been delayed as the council needs all its resources to meet the challenges the pandemic has created for our communities and businesses.

i) Comment/Question: A great wealth of knowledge on this Zoom call…how can we transform and do things differently, how will the council integrate new ways of working internally and externally?

Response: Our intentions for recovery have been set out alongside the work of the LSP towards their statement of intent. The recovery plans we took to our Cabinet in October have had to take a back seat given successive phases of the pandemic and the need to move from recovery thinking and planning back to response. These still set our direction of travel. During the first phase of the pandemic the council was able to reassign staff to work on plans for recovery with our overview and scrutiny and audit committees. However, the subsequent phases have impacted more as 'business as usual' services were re-started and have had to be delivered at the same time as on-going pandemic related work. As soon as we are able to dedicate more resource to this we will of course do so.

Budget Overview and Scrutiny Committee

24. A meeting of the council's overview and scrutiny committee was held on 20 January, to consider the draft corporate plan update and budget.

25. 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/g4199/Printed%20minutes%2020th-Jan-2021%2018.00%20Overview%20and%20Scrutiny%20Committee.pdf?T=1

26. The committee proposed no changes to the draft corporate plan update and budget, accepting that the unprecedented circumstances of the pandemic has meant that details in the budget reports are still being firmed up and likely to change for budget cabinet and full council.

Other Consultation responses

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

28. One questioned the continued funding of the White Rock Theatre despite it being closed for business during the lockdown phases of the pandemic.

    In response, the council has a legal contract with HQ Theatres which sets out the sums due to be paid each year. Simply closing a building to the public does not mean that all costs cease.

29. Follow up correspondence with regards to the Country Park Visitor centre were received via e mail, following on from the meeting with the deputy leader and the HCN.

30. The deputy leader is provided a written reply to the further points raised in this regard.

31. A resident wrote in regarding a range of issues including: waste collection, that the corporate plan update is too internally focussed on councillors, staff and their resources; perceived contradictions in climate change action including Alexandra Park cycle path proposals, reducing car use being at odds with the cost of public transport; and, concern with assumed use of the old bathing pool site.

32. This resident (in line with all other correspondence received from consultees via email) has been thanked for submission of views with the commitment to cascade to the relevant service departments as appropriate.

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Appendix A- Draft key activities update for 2021/22

Tackling homelessness, poverty and ensuring quality housing
• Review our council tax reduction scheme for 2021/22 by November 2021.
• Conclude implementation and encourage take up of new self-service modules for revenues and benefits.
• Achieve key performance and collection targets in respect of Benefit processing times and collection rates for council tax & business rates.
Continue our programme to maximise delivery of much needed new, affordable and retrofitted homes in our town: ▪ Establish a new 5 year target with partners for the provision of additional affordable homes in the Borough and implement a delivery plan for their achievement ▪ Provide good quality move-on accommodation for people in temporary accommodation through the expansion of our social lettings agency and a new Housing First programme ▪ 30 Homes retrofitted to reduce fuel poverty funded by the Green Homes Grant phase 1A in 2021/22 ▪ Lower Tier 2021/22 milestones (towards 192 new homes at Bulverhythe): ○ Enabling works contractor appointed ○ Enabling works start on site ○ Main contractor for housing delivery appointed
• Implement the Next Steps Accommodation Programme, to expand accommodation options for individuals with multiple and complex needs.
• Adopt a new Housing Strategy and review key policy documents, including the Social Housing Allocation scheme.
• Conclude reviewing our approaches to temporary and emergency accommodation to date, and apply lessons learned to firm up future provision arrangements.
• Make sure homes are adapted and made fit for the future where we have power and resources to do so.
• 100 homes adapted through Disabled Facility Grant funding in 2021/22.
Keeping Hastings clean and safe
Ensuring delivery of our statutory refuse, recycling and street cleansing services, including: • Enhancing our existing contracted out refuse and recycling service by working closely with the contractor. For example, where appropriate, adjusting collection rounds to improve service delivery to residents • Monitoring progress of the Government's Environment Bill for implications for council services. For example, the potential introduction of a kerbside collection of food waste service from residential properties

- Building on the good performance of our in-house street cleansing service, continue to work in partnership (including our voluntary sector partners such as Tidy up St Leonards) towards identifying potential improvements to the way the service is operated, and implement them where sufficient budget is identified and authorised
- Maintaining our three green flag accreditations for our parks (St Leonards Gardens, Alexandra Park & Hastings Country Park)

Ensuring effective delivery of our statutory street scene enforcement services delivered through our Warden team including:

- Continuing to tackle anti- social behaviour and enviro crime in line with our statutory commitments in partnership with other agencies such as the police
- Maintaining a primary focus on the multi-agency approach to reducing negative environmental, social and economic impacts on areas such as the town centre and seafront associated with the street community

Ensuring statutory delivery of our licensing and environmental health commitments including:

- Supporting businesses to comply with rules (normal and Covid 19 related) as they seek to return to business as usual during 2021/22
- Working with partners such as Hastings BID and ESCC, to support the local economy restart when safe to do so
- Monitoring developments arising from EU-exit that may affect local businesses for which the council is the enforcement agency. For example, local businesses exporting fishery products.

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

- Prepare and implement delivery of succession arrangements following the end of the grounds maintenance and building - public convenience cleaning contracts ending in 2022.
- Complete the preparatory arrangements to enable the statutory improvement works to commence at the Buckshole reservoir.
- Completion and opening of the new visitor centre at the Hastings Country Park (subject to any further delays caused by COVID and/or the EU exit).

- Keep open council owned and run visitor attractions where it is safe and we can afford to do so, bringing forward ways to run these better, cheaper and or differently.
- Milestones TBD for Museum, Cliff railways etc.

- Continue work on our Local Plan engaging our citizens and partners to help set how the borough will shape up for the future.

Milestones include: Completion of Regulation 19 consultation, submit draft Local Plan to Secretary of State, prepare for examination in public during 2021/22.

- Asset Management and Capital programme reviewed given Covid 19 and 2021/22 plans and actions refreshed and delivered accordingly.
- Example milestones for Churchfields, Cornwallis & Harold Place:
    - Lease agreements signed (Q1/2)
    - Planning applications progressed (Q3/4)

Minimising environment and climate harm in all that we do

Complete our actions in the climate change strategy and action plan for 2021/22 having reviewed lessons learned and opportunities in response to Covid 19.
Examples for 2021/22 include:

- Delivery of the Wayfinding and DestiSmart projects improving opportunities to move around the town on foot, by cycle (active travel) and through sustainably powered vehicles (subject to movement and access programmes through the town deal)
- Scoping how to best restore, protect, rewild and enhance the towns natural spaces and where feasible, integrate findings into the climate change action plan

- Implement our sustainable procurement policy and review take up through the council's performance review process.

- Review our services, assets and activities to look at how we can run them in an environmentally friendly way.

Delivery of our major regeneration schemes

- Develop and deliver a Town Investment Plan (TIP) to get access to up to £25m Town Deal funding for investment in the town as well as lever in any further private investment or other government funding streams.
  Examples for 2021/22 include:
  - supporting towns fund project leads in developing robust business cases
  - supporting the Town Deal Board to assess developed business cases for towns fund projects and HBC capital programme
- Deliver year 3 of the Connecting Hastings and Rother Together programme.
- Progress the development of West Marina project.

Ensuring the council can survive and thrive into the future

- Reprioritising and reorganising services and learning lessons from Covid19, in order to meet our commitments, budgetary challenges and rebuild reserves, and where necessary make in year budget reductions during 2021/22.
- Further improve our performance reporting arrangements using our new dashboard to help citizens track how we are doing by:
  - smartening existing targets
  - integrating risk and finance reporting
  - publishing an action plan for the delivery of our corporate standard
- Subject to capacity, complete any outstanding digital first programme work, integrate lessons learned and realise digital first programme benefits.
- Building on the recovery 'statement of intent' drafted through the Local Strategic Partnership, continue working with partners towards a town wide narrative and plan that reflects and communicates shared recovery aspirations.

New key activities *(i.e. not previously included in our 2020-24 Corporate Plan)*
On-going management of response phase of pandemic: Milestones TBD: • Environmental Health, Licensing and Warden Services continuing to support businesses and the community • Vaccination programme (TBD). • Involvement in the developing pan-Sussex track and trace systems led by ESCC Public Health. • Excess deaths management (TBD). • Community Hub as required.
Identifying and implementing learning from pandemic: • Determine post-pandemic working arrangements balancing needs of service delivery and staff welfare with environmental benefits of reduced travel and an economic business case of office space provision • Ensuring provision of essential ICT infrastructure to enable (post) pandemic working arrangements • Confirm Community Hub future arrangements with partners continuing to support our most vulnerable residents • Share learning with our partners to inform joint recovery efforts
Recovering from the pandemic, where capacity, resources and safety arrangements allow by: • Ensuring delivery and assurance of business support grants as a result of Covid 19 (until March 2022) • Complementing partner efforts including Team East Sussex, Town Deal, CHART and SELEP • Mitigating risks and impacts and maximising opportunities as a result of EU exit • Supporting the arts, heritage, culture, leisure and tourism sectors and encourage wellbeing, healthy and active lifestyles (Milestones TBD) • Supporting close working with the Voluntary and Community Sector to ensure the breadth of our citizens needs underpin joint recovery efforts. • Working with our local community to develop a shared equalities charter to ensure that response to and recovery from the pandemic benefits the breadth of our local community.

Agenda Item 5

Report To: **Cabinet**

Date of Meeting: **8 February 2021**

Report Title: Revenue Budgets 2020/21 (Revised) and 2021/22, plus Capital Programme 2021/22 to 2023/24

Report By: **Peter Grace**

Chief Finance Officer

Key Decision: **Yes**

Classification: **Open**

Purpose of Report

1. This report presents the revised revenue budget for 2020/21 and a budget for 2021/22. The revised budget for 2020/21 takes account of the known variations to expenditure and income streams that have occurred since setting the budget in February 2020.

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 2021/22, recognition has to be taken of the potential for further reductions in external funding and the uncertainties that exist for the years ahead given the absence of anything more than a one year settlement again, and the further delays in the Fair Funding review (now retitled to Review of Relative Needs and Resources). The forecasts included are compiled on the basis of no reductions in external funding from the government in respect of Business Rate retention and Revenue Support Grant.

4. The report identifies that a balanced budget can be achieved in 2021/22 although this involves using £1.483m of reserves. The forecast deficit for 2022/23 is £2.2m, in 2023/24 it is estimated at £2.5m, and in 2024/25 it is estimated at £2.5m.

5. The alignment of the Council's available resources to its priorities requires further attention, delayed by Covid-19 prioritisation, to achieve a sustainable budget in the years ahead. Financial rules, operating procedures, and management controls need to be strengthened still in some areas and strictly followed to ensure that the Council is in full control of the reducing financial resources.

6. The Cabinet meeting on the 8 February is a key part of the budget setting process. The full Council meeting on the 17 February 2021 is responsible for setting a balanced budget and determining the Council Tax. Whilst savings of £484,000 have been identified for 2021/22, there are also unavoidable increases in costs (£1,359,000) that result in further use of the Council's fast diminishing reserves – £1,483,000 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 2021/22 of 1.99%.

7. Please note that the final grant settlement figures from government have not 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 2021/22. Precept figures will be updated following receipt of the final figures East Sussex County Council, Police and Fire Authority.

Recommendation(s)

Cabinet recommends that full Council:-

(i) Approve the revised revenue budget for 2020/21 (Appendix A).

(ii) Approve the draft 2021/22 revenue budget (Appendix A)

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

(iv) Agree that car parking charges remain frozen for 2021/22

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

(vi) Approve the Capital Programme 2020/21 (revised) to 2023/24 (Appendix P).

(vii) 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.

(viii) 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.

(ix) Agree that the Council does not seek to undertake any capital project/scheme purely for yield that would prevent the Council from borrowing either commercially or from the PWLB.

(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 revenue costs to the Council, or where any guarantee is to be provided which does, or could, incur costs for the Council, such decisions continue to be made by full Council.

(xii) Agree that, 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 financial pressures.

(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 (Appendix M – to be provided/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) 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 the remainder of its Transition Reserve along with some of the General Reserve to fund 2020/21 expenditure.

2. A major overhaul of the funding mechanism for local authorities has again been postponed and when combined with a one year Spending Review, continues to provide considerable uncertainty on funding for 2022/23 and beyond.

3. Despite identifying Priority Income and Expenditure Review (PIER) savings of £484,000 these are insufficient to balance the budget in 2021/22 without the use of General and other Reserves. Further significant savings need to be found during 2021/22 in order to reduce the call on the General Reserves, achieve a balanced budget, and ensure that reserve levels can be maintained at above the minimum recommended level.

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 – as highlighted by the Covi9-19 crisis. In the light of increased in–year spend on temporary accommodation this requires a much greater degree of service cuts elsewhere and spend within housing areas must remain under regular review.

5. The Council remains 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. On top of this is the impact of covid-19 and an economic downturn.

6. The government have provided additional funding for 2020/21 which has significantly helped the financial position and there are some additional measures that will assist with the 2021/22 position; These are detailed later in the report.

Introduction

1. The Council continues to find itself in a very challenging financial period that is anticipated to continue for the foreseeable future. 2022/23 is now expected to be the year that will see wholesale changes in the way in which local authorities are funded – but there is now some doubt about the timescale given the consequences of Covid-19. However, there appears to be no likelihood of any easing of austerity for councils like ours.

2. The Council when setting the budget in February 2020 forecast that there would be a deficit in 2020/21 of some £1,182,161. The revised budget identifies a lower deficit of some £500,368 largely as a result of additional government funding and the impact on Council Tax and Business rates having to be accounted for in the 2021/22 accounts.

3. The estimates for 2020/21 and 2021/22 are more subjective than usual due to the uncertainties related to the pandemic and particularly the ongoing impacts on income streams, Council Tax and Business Rates.

4. Temporary accommodation costs have continued to increase dramatically throughout the current year and are estimated to be approaching some £900,000 above the existing 2020/21 budget. The Council will have invested some £5.3m 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.

5. Whilst the Council has identified savings of some £484,000 for 2021/22, it is also incurring additional expenditure and expects significant reductions in some income streams e.g. Council Tax, Business rates and rental income. For **2021/22** the deficit is estimated at some £1,483,000 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 Covid, Brexit, business rate income, and significantly higher demands on services.

6. The Fair Funding Review (the level and distribution of the monies between Councils) has again been postponed. Uncertainty remains about the promised introduction of the 75% retention of business rates). The ending of the New Homes Bonus Scheme and what will replace it, if anything, provides more uncertainty; the government will be consulting on this shortly. What does appear to be clearer is that of the funding available those providing adult and children's care services will receive greater priority – along with the police and teaching professions.

7. The Council was already facing its most challenging financial period before Covid-19 and now finds itself facing even higher levels of uncertainty. Unless the Council balances its budget in the near future 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. As detailed first in February 2020 priority should again 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

8. 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 if it able to do so.

9. As soon as the Covid-19 crisis permits, the Council needs 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,

   - delivering those regeneration and economic development schemes that have significant funding attached.

10. **The Council could reach the point soon after 2021/22 where unallocated reserves meet the minimum recommended level that the Council should hold (£6m). This point may be reached in 2021/22 should there be more unexpected expenditure or reduced income levels. This could leave little to fund the upfront costs of schemes and expenditure that cannot be capitalised e.g. 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 had been looking at a safety net where councils experience year on year reductions of greater than 5%p.a. This Council needs to be prepared 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 is likely, once again, to involve making staff reductions along with others being redirected to other priorities. The Covid-19 pandemic has not unexpectedly stretched the council's already limited resources and has inevitably delayed the identification of further cuts.

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 still be regarded as ambitious in many places. Currently a new hotel in Cornwallis Street, Harold Place redevelopment, units at Churchfields Industrial Estate, the town's Lower Tier and West Marina development are potentially valuable regeneration schemes. 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 Local 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 importance of retaining reserves has become 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.

15. A number of amendments to the budget figures are expected from that published at the consultation stage as a result of government funding notifications yet to be received. These for example include funding levels for Housing Benefit Administration grant, Discretionary Housing Payments. Work has continued to refine estimates in respect of temporary accommodation costs, Council Tax Support Scheme costs and Business Rate Income and these adjustments have reduced the estimated deficit in 2020/21 by over £250,000.

Strategic Priorities

16. The Council's strategic priorities have been reviewed for 2021/22 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. The Corporate Plan is due to be considered by Budget Cabinet and Budget Council alongside this budget report.

17. 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

18. 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.

19. 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 2021/22 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

20. The Medium Term Financial Strategy, approved in October 2020, provided indicative budget forecasts for the 4 year period 2020/21 to 2023/24. These have been updated within the budget papers attached.

21. 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.

22. 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 has required the use of these reserves to achieve balanced budgets in every year since 2018/19 and will need to do so again in 2021/22.

(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 – which will be exhausted by the end of 2021/22.

(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

The Council has needed to use its reserves in the last couple of years to balance its budget following reductions in government funding. 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 impact of income 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.

The Council is increasing Council Tax by the maximum permitted while supporting the most vulnerable through the Council Tax Support/ Reduction scheme.

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

23. 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

24. The government's 2020 Spending Review has provided funding projections for local government for just one year i.e. 2021/22. This makes forward planning very difficult.

25. **Review of Relative Needs and Resources (Formerly the Fair Funding Review)**

26. The Government have again postponed a review of local government funding (Fair Funding Review) and have also announced that the level of business rate growth retained by local councils will remain unaltered for next year – instead of increasing from 50% retention to 75%. There will also be no resetting of the business rate growth /baselines in 2021.

27. The government were to have fundamentally changed the funding methodology for local authorities by now – but this has been postponed. This would have seen 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.

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.

29. **Revenue Support Grant (RSG)**

30. The Council receives Revenue Support Grant and retains a percentage of business rates (base line funding level). Next year the baseline funding level will be frozen as the government are freezing the business rate multiplier next year – to help businesses. The council will be compensated by additional Section 31 grant.

31. The Council will receive £1,009,837 in 2021/22 – an increase of £5,554.

Funding from Business Rates

32. 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.

33. In order to calculate the likely business rate income receivable, 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 thereafter). The revaluation scheduled by the government for April 2021 has now been postponed.

34. Under the existing scheme 50% of business rates is localised (40% to HBC, 9% ESCC, 1% Fire Authority) 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 (normally) annually by inflation (CPI). Local authorities retain a proportion of all business rate growth or conversely experience a reduction in resources if the business rate base declines. The remaining 50% collected by the Council goes to the Government.

35. The 50% central government share is then redistributed 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 but has once again been postponed. The system, the calculations required, accounting treatments, and particularly the budgeting requirements are not straightforward.

36. 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 the number of Council Tax Support claims.

37. **Business Rates (Non Domestic rates) - Collection Rates**

38. As at the end of November 2020, the net amount due for the year amounted to £10,610,838. This is significantly less than the £23,472,000 that was originally budgeted for. The difference being the government's rate exemptions granted in the March budget/Covid-19 assistance packages; mainly for Retail, Hospitality and Leisure businesses along with the extensions granted e.g. for nurseries.

39. Of this £10.61m, £7.713m (72.69%) had been collected by the end of November 2020. This is 2.83% less than that collected at the same stage last year and is 4.11% below the 2020/21 target. In cash terms, using these percentages, this would represent £300,000 less than at the same stage as last year and £436,000 less than the target.

40. The limited ability to take recovery action, businesses entering administration, and valuation appeals are all impacting on the income receivable. In addition, the economic climate adds increasing uncertainty and as such Business rates income remains one of the biggest financial risk areas for the Council currently and for the future. The income streams are increasingly hard to predict . The Council will remain in the pooling arrangement within East Sussex as there is still considered to be a significant benefit to the other participants.

Business Rates Income – 2021/22

41. 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.

42. Last year the government announced in the 2020 budget a whole raft of business rate exemptions and discounts – particularly for the Retail, hospitality and leisure sectors. This effectively reduced the level of business rates collectable by over £12m. This sum has been reimbursed by Section 31 grant monies from the government.

43. The majority of the exemptions and discounts end on 31 March 2021. The Chancellor may make announcements on future reliefs in the next budget - on 3 March 2021.

44. The rateable value (RV) of business properties at the start of the 2021/22 year is forecast to be some £61.56m (some £988,000 lower than 2020/21). However, given the level of appeals, non-payments, and bad debt levels, forecasting income levels for 2021/22 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.

45. Multiplying the rateable value figure by the rate poundage and after charity and other reliefs the Council would collect some £20.7m in theory of which the Council share is some 40% in 2021/22 (some £8.27m). For Hastings however with a government assessed need (Baseline Need) that is lower than the amount the government predicts that that Council will retain (Business Rate Baseline) a tariff (the difference) is paid to central government – this amounts to £5,667,405 in 2021/22. The estimate of the business rate income collected that will be retained by the Council in 2021/22 as a result of entering into the Business rate pool amounts to £2,602,000.

46. 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 in the future.

External Funding – Annual Grant Settlement

47. The 2021/22 provisional finance settlement was finally announced on 17 December 2020 with the final settlement figures expected in February 2021 (last year there were no changes between the provisional and final settlement).

48. The settlement provides details of the Revenue Support Grant (**£1,009,837)** and level of Business Rates that the government expects councils to retain – the Settlement Funding Assessment.

49. **Lower Tier Services Grant**; This is a new grant for 2021/22 amounting to **£162,661** provided to lower tier local authorities for services such as homelessness, planning, recycling and refuse collection, and leisure services. A funding floor ensures no council sees a year-on-year reduction in Core Spending Power**.**

External funding – Benefit and Council Tax Administration Grant

50. The figures for both the Benefit Administration Grant and the Council Tax Support Administration Grant receivable in 2021/22 are awaited.

51. 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 figure for 2021/22 is awaited. This funding will be fully subscribed.

52. **General Funding**

53. The government have provided some much needed support to businesses e.g. Small business grants, rate relief, and hardship support, but Councils were not eligible for these schemes. The Council has however received significant unringfenced funding, totalling some **£2,048,518**, towards the additional costs it faces e.g. supporting local people, homelessness, rough sleepers, etc.

54. The government has provided four tranches of funding for councils - two £1.6bn tranches amounting to £3.2bn in total. The first tranche was split into £210m for general support and £1,390m for Adult social care. The £210m was allocated on the basis of Settlement Funding Assessments (SFA) and resulted in some £67,268 for Hastings Borough Council. The second tranche in two tier areas gave a split between counties and districts of 65:35. This second tranche had a higher weighting towards districts in two tier areas given the recognition of the financial pressures being faced by districts and their greater general reliance on income from sales, fees and charges; this amounted to £918,693. A further package of £500m of support was announced in July 2020, and the allocation methodology was based on a new Covid-19 Relative Needs Formula – taking account of population and deprivation. A further £1bn was announced on 12 October of which £919m was to be distributed as unringfenced grant. This tranche, based on round 3 methodology, recalculated the total grant distributed to date and effectively redistributed the balances due as if the new distribution formula had been used throughout.

55. **General Funding Support 2020-21** (Unringfenced Grants)

    Tranche 1 - £67,268
    Tranche 2 - £918,693
    Tranche 3 - £222,734
    Tranche 4 - £839,823

    Total Grant = £2,048,518

56. **External Funding – Covid-19 related**

The Spending Review on the 25 November 2020 made a number of funding announcements which provide additional funding for 2021/22 (these are detailed below).

57. **Income Compensation Scheme (Sales Fees and Charges)**

COVID-19 has impacted upon the Council's ability to generate revenues in a number of service areas as a result of lockdown, government restrictions and social distancing measures, related to the pandemic. The government announced in July 2020 the introduction of a one-off income loss scheme which will compensate for irrecoverable and unavoidable losses from sales, fees and charges and income generated in the delivery of services, in the financial year 2020-21.

58. The scheme involves a 5% deductible rate, whereby councils will absorb losses up to 5% of their planned sales, fees and charges income, with the government compensating them for 75p in every pound of relevant loss thereafter.

59. Initial assessment identified some £1.7m of sales fees and charges income that could be eligible for inclusion, resulting in a potential claim under the scheme of some £803,000.

60. The first claim for April – June 2020 was paid on 27 November (£531,225). The next claim was submitted on the 23 December and amounts to £207,000 (net of deductibles and off-setting savings). Thereafter there was to be one more claim after the financial year end.

61. The government have recently announced that the scheme is to be extended to cover the first 3 months of 2021/22 (April – June 2021) – which is positive news.

Spreading of 2020/21 Council Tax and Business Rates Deficits

62. The Council is required to spread the deficits on the Collection Fund arising from 2020/21 over the next 3 financial years. The deficits/surpluses arising from earlier years are not spread.

Council Tax Support Scheme (CTSS)

63. The government have allocated £670m to help finance the costs of additional Council Tax Support Scheme Costs in 2021/22. HBC will, according to the provisional figures, receive some £199,520 – other preceptors will have a share of the £1,516,584 total. The Council will receive the funding as a Section 31 grant.

64. **2020/21 Local Tax Income Guarantee Scheme**

65. The government announced a £762m support package for Council Tax and business rate income. The scheme will compensate for 75% of the irrecoverable income losses accrued during 2020/21 as reported after year end. The losses will approximate the deficits on the Collection Fund, save that it excludes prior year deficits.

66. There are expected to be a greater level of bad debts in the future, and a greater number of successful business rate valuation appeals related to Covid-19. The assessment and calculation of these could have a significant impact on the Councils final accounts for 2020/21.

67. It is understood that lower collection levels and higher CTSS costs in the years beyond 2021/22 may be taken account of in future spending reviews. However, the money the government has identified for local government funding to date remains finite.

68. **Additional Covid-19 Funding**

69. The government announced a further tranche of funding (£1.55bn) for Local authorities to help meet ongoing costs/ loss of income in 2021/22. This amounts to £698,862 for Hastings BC and is to paid in April 2021. This is an unringfenced grant.

70. **Local Authority Compliance and Enforcement Grant (Covid-19)**

71. The Council has received £63,357 in respect of this grant to assist in the enforcement activities around Covid-19 compliance.

External Funding - New Homes Bonus

72. 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 2021/22 amounting to £173,162 in total (down from £199,482 in 2020/21 - **a funding loss of £26,320**.

73. 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 – the council will receive £4,480 in respect of this aspect for 2021/22.

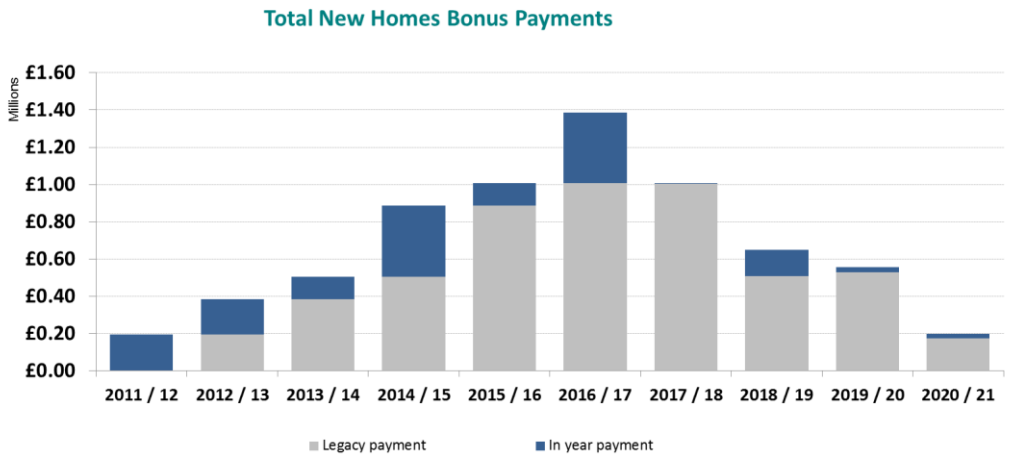
74. The Council Tax Base return (CTB 1 in October each year) identifies the number of new properties completed and the number of long term empty properties brought back into use (net). The funding for 2021/22, like that for 2020/21, is a “one-off” with no ongoing legacy payments.

75. The table below shows the estimated New Homes Bonus receivable by the Council in 2021/22 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	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		
Year 11					4,480	
Total	1,008,964	649,559	556,337	199,482	173,162	26,320

76. The reduction between 2020/21 and 2021/22 is a funding loss of £26,320. The graph below identifies the funding levels since 2011/12 and the massive reductions since 2016/17.



77. 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.

78. 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 have stated 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. A consultation exercise is expected to be launched in early 2021. As it stands the Council will **lose another £147,000 in 2022/23.**

Summarised Grant Position

79. For the period 2010/11 to 2021/22 the reduction in cash grant funding is estimated at 70% 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).

80. If there is a 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.

81. In 2021/22 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 2020/21. New Homes Bonus is however some **£26,320** less than in 2020/21 as detailed in the report and is set to end. A new Lower Tier Services Grant amounting to **£162,661** will assist the Council as will the Council Tax Support funding **(£199,520** – provisionally). The additional one off funding of **£698,862** in unringfenced grant to help meet as yet unquantifiable costs/income losses through 2021/22 will clearly be of great assistance. Likewise, the Lost Income Compensation scheme provides a safety net for further as yet unquantified income losses (from Sales, Fees and Charges only – it excludes rents).

82. Whilst there has been very significant additional financial assistance from the government in 2020/21, and also some more for 2021/22, the ability to forward plan remains challenging in the absence of any clarity on future funding. In the meantime, the Council, loses income, and has the additional costs from inflation, pay increases, temporary accommodation costs and other demand pressures. The need to make further savings at this time presents the Council with significant financial and resource challenges.

Fees and Charges (Including Car Parking)

83. The Council has limited reserves and remains reliant upon income streams and investment returns to balance the budget. 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.

84. With a number of exceptions, e.g. chalets, cemetery and crematorium, green waste, 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.

85. 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. Car parking charges were last increased in February 2019 for a 12 month period (applicable from 1 April 2019). Given the impact of Covid-19 on the retail sector it is **recommended that there are no increases to car parking charges for 2021/22.**

Investment and Borrowing

86. Base rates decreased in March 2020 firstly to 0.25% (from 0.75%) and then to 0.1%. This time last year the Council's Treasury advisers were predicting a rate of 1% by March 2021.

87. Given the restricted counterparties list, investment returns of around 0.2% (excluding property funds) are currently estimated for 2021/22. The Treasury Management Strategy will

continue to advocate a policy of keeping the respective levels of debt and investment under review.

88. The Council will have additional borrowing requirements of some £9.2m in 2020/21 to finance the acquisition of temporary accommodation, commercial properties and other capital schemes. The decrease in the Public Works Loan Board (PWLB) rate by 1% across all periods on 26 November 2020 reduces the borrowing costs for capital projects – which will help to offset the loss of income and additional Capital costs in some instances.

89. In 2021/22 and beyond borrowing requirements are 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. The Capital programme currently does not include the Bexhill Lower Tier site – which could involve a joint venture and further significant borrowing requirements.

90. The conditions for borrowing from the PWLB have been tightened and do not allow for borrowing where the objective is purely for yield. 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. It is **recommended** that the Council does not seek to undertake any capital project/scheme purely for yield and thus prevent the Council from borrowing from the PWLB.

91. The Capital programme if approved will increase borrowing levels to some £87m by 2023/24 and potentially up to £125m if the Council approves and funds the development of the lower tier Bexhill road site at a future date. These figures exclude any borrowing in respect of Bohemia or in respect of the town centre and any leisure centre. A significantly enhanced 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) – these schemes can proceed if appropriate funding is identified.

92. There are a number of potential projects and developments that are identified in the Capital Strategy that are currently considered unaffordable given the current level of financial commitments, the sustainability of the council's budget, and the continued uncertainty on future funding.

Inflation

93. This had not been a major issue over the last couple of years. In November 2020 the Retail Price Index (RPI) was 0.9% (from 1.3% in October)) whilst the government's preferred measure CPI (Consumer Price Index) was 0.3% (down from 0.7% in October 2020).

94. Inflation (CPI), according to the government's Monetary Policy Report (August 2020) is expected to remain below the 2% target this year - largely reflecting the direct effects of Covid-19. These include the impact of energy prices and temporary cut in VAT for hospitality, holiday accommodation and attractions. As these effects unwind, inflation rises, supported by a gradual strengthening of domestic price pressures as spare capacity diminishes. In the Monetary Policy Committee's central projection, CPI inflation is expected to be around 2% in two years' time (1.8% Qtr. 3 in 2021).

95. Based upon the above projections, general inflation is being allowed for at 2% overall for 2021/22 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

96. The salary increase for 2020/21 was agreed in August 2020 and amounted to 2.75% (backdated to April 2020). There are also contractual increments (equivalent of around ½%).

97. The salaries budget together with national insurance and pension costs amount to some £14m in 2021/22. The Council's salary costs increased as a result of taking on the Street Cleaning service in 2020/21.

98. The Council remains committed to paying the accredited living wage of £9.50 per hour (for over 18's from 1 April 2021 – up from £9.30p/h (a 2.1%increase). This is higher than the national minimum/living wage - which increases to £8.91 from 1 April 2021 from £8.72 (a 2.1% increase). These payment levels are being extended to the over 23's (currently over 25's).

99. The Medium Term Financial Strategy allowed for a 1% increase in 2021/22 (plus increments). The Chancellors Spending Review announcement was for a pay freeze for those earning above £24,000 and £250 for those earning below. The net saving, against the Medium Term Financial Strategy projection would amount to some £77,000 if implemented.

100. It should be noted however that Local Government pay is not set by the government (unless legislated for) and it is understood that the unions will be submitting a pay claim in the new year. The local government settlement announcement (17 December) increased the Settlement Funding Assessment by some 0.5% (CPI September was 0.5%).

101. **The budget figures only allow for a pay increase in line with the Chancellor's spending review announcement. If higher, the monies would need to be funded from the contingency provision.**

Universal Credit and Benefit Administration Grant

102. 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.

103. 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.

104. 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

105. 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 decreased in line with the annual reductions in government grant funding.

106. The Council determined that the Council Tax Support Scheme would remain the same for 2015/16, 2016/17, 2017/18 and 2018/19. In 2020/21 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.

107. The projections are that the cost of the scheme could increase from £10.98m in 2020/21 to some £12.58m in 2021/22, and the deficit identified in this budget report would increase by a further £206,000 (HBC's share of an additional £1.6m p.a. additional cost). If there is severe recession with a doubling of unemployment and with more people claiming benefit the costs could increase beyond this level (In 2013 claimant numbers peaked at 8,393 – if this was the case, then HBC costs could increase by some £370,000 p.a). There is additional government grant funding in 2021/22 that will help to offset this increase.

108. 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.

109. In the current crisis the council's scheme continues to help some of those in the community that are most in need. Following a review by lead members it is proposed that there will not be any material change to the scheme for 2021/22 other 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.**

110. The Council Tax Reduction Scheme continues to pose a significant financial risk for the Council as the furlough scheme unravels and businesses assess their staffing needs. The 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 i.e. the Resilience and Stability Reserve, as the scheme cannot be amended mid-year.

111. Given the ongoing budget deficits and no clarity on future funding levels from the government, the Council will again need to review the affordability of the scheme during 2021/22; it will look to do so in conjunction with neighbouring authorities where practical.

Council Tax Support (CTS) – Hardship Fund

112. The government have provided £500m to enable billing authorities to support those eligible for Council Tax Support (of working age) with a reduction of £150 in their Council Tax – may be less if their remaining liability, after CTS is lower. The Revenues and Benefits team rebilled those affected in April 2020 – some 1,300 out of the 9,611 then claiming. The Council's share of the money amounted to £1,281,991 and is required to be spent by 31 March 2021 - or returned.

113. As at the start of January the revenues team had credited some 2,680 accounts with a Covid-19 hardship payment - some £311,675 being committed. This figure is still expected to increase significantly as unemployment rises – however the timing of this and the numbers involved are hard to estimate and particularly so given the furlough scheme.

114. Opportunities are being explored to increase the scope and levels of assistance available whilst ensuring there remains sufficient funding to meet the legal requirement to reduce the

bills for those eligible i.e. when claim levels over the remainder of the year are unpredictable.

Pension Fund Contributions

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

116. The actuary calculated that the fund liabilities in respect of Hastings staff (past and present) amount to £122,444,000 whilst assets amount to s £122,188,000. This represents a deficit of s £256,000 (£18.247m at 31 March 2016) and represented a significant improvement in the position of the fund within a short space of time. This position could have changed significantly in terms of the assets given Covid-19 and it was possible that contribution rates may have been amended from 2021/22 onwards – indications are however that this is not the case. The valuation of assets and liabilities for 2019/20 final accounts purposes shows a deficit of £37.226m on the Council's part of the fund as at 31 March 2020.

117. The rates payable by the Council 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:

    2020/2021 is : 17.6% +0.75% + secondary contribution rate of £538,000 (6.5%)
    2021/2022 is : 17.6% +0.75% + secondary contribution rate of £508,000 (6.0%)
    2022/2023 is : 17.6% +0.75% + secondary contribution rate of £476,000 (5.5%)

118. The reductions in secondary contributions in 2021/22 and the following year were expected to be offset by the impact of the annual increase in pay on pension costs. However currently there is an estimated saving of £30,000 in 2021/22.

Staffing, Information Technology and Property

119. 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.

120. 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.

Grants

121. 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).

122. 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).

(v) **Towns Fund** – this is a £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 is to be submitted in 2021.

(vi) **Towns Fund (Accelerated Programme) -** The Council has received £1m in respect of this programme and has already distributed the majority of the funding to the 4 successful projects.

123. 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.

Levelling Up Fund

124. The government announced a levelling up Fund worth £4 billion for England for investments in infrastructure. The Fund will be open to all local areas and allocated competitively. The spending Review makes available £600m in 2021/22, with further funding spread to 2024/25. A prospectus and first round of bidding to be launched in the new year.

UK Shared Prosperity Fund (UKSPF)

125. The fund is intended to level up and create opportunity across the UK for people and places and could reach up to £1.5billion p.a. to match the loss of receipts from EU structural funds. More details will be included in the next Spending Review (2021). It is understood that the Government will provide £220 million in 2021/22 of additional funding to support communities to pilot programmes and new approaches - details to be published in the New Year (2021).

Revised Budget 2020/21

126. Since determining the budget in February 2020, the Council's budget has been radically impacted by the effects of Covid-19, and the impact of measures taken by the government to assist businesses and citizens alike.

127. The Council's income streams have been impacted e.g. car parking, cliff railways, rental income, Council tax and business rates. There has been additional cost and demand pressures e.g. homelessness, Council Tax Support scheme, support for the leisure centre, PPE.

128. The government extended the business rate relief scheme to provide 100% relief to those in the Retail, Hospitality, and leisure sectors, resulting in the Council needing to collect significantly less business rates in the year. However, collection rates remain subdued in

respect of business rates and Council Tax and are expected to remain below previous levels for some time.

129. The government have provided some £2.048m in unringfenced grants to date, along with a lost Income compensation scheme, and a Local Tax income guarantee scheme.

130. New Burdens Funding

The Council has received £130,000 to cover administration costs in respect of the main Business grant scheme (RHL and Small business grants) for the first lockdown period. It has also received funding for the Test and Trace administration (£27,812). A further £58,500 has been received in late December in respect of the second national lockdown and for the fraud assurance programmes that have been set up; these are likely to be in place throughout next year and potentially beyond and will have continuing resource implications.

131. **The revised 2020/21 total service expenditure budget amounts to £13.8m, against an original budget of £12.3m (Appendix A). The original deficit was estimated at £1.182m and despite additional costs and loss of income it is now estimated to amount to £500,368 largely as a result of additional government grants.**

The main income and 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 £888,000.
(ii) Income Losses of £1.951m

these have been offset by

(iii) Covid grants (unringfenced) amounting to £2.048m
(iv) New Burdens Funding amounting to £210,000
(v) Lost Income compensation Scheme - £803,000 (estimated)

132. The Council had savings plans for 2020/21 amounting to some £1.784m and additional cost pressures were identified in the budget of £786,000 e.g. homelessness, cliff and reservoir works. The majority of the savings have been achieved. The ones to date, that have not, include:-

- land sales and the investment of the proceeds (£75k),
- leisure management contract extension (£30k) – delayed to 2021/22, and
- income from further property acquisitions/economic development (£100k) – some £27,000 of new income (net) achieved.
- Senior Management Restructure – partly achieved

133. The additional cost pressures (growth item) in respect of temporary accommodation have far exceeded the £386k envisaged at the time the budget was agreed in February 2020, albeit the additional funding from government is now helping to offset these costs for this year at least.

134. **Homelessness and Rough Sleeping Grants**

135. Rough sleepers or those at risk of rough sleeping have been supported by the government allocating £3.2m of initial emergency funding if they need to self-isolate to prevent the spread of Covid-19. This funding was announced in March 2020 and was made available to local authorities in England. The Council seeks reimbursement from the government retrospectively e.g. £15,750 in respect of 21 rough sleepers in March 2020.

136. In terms of the Council's budget, the Council has received £745,258 in respect of Flexible Homelessness Support Grant and £211,517 in respect of Homelessness Reduction Grant (£956,775 in total). The Council has also now received additional funding for the Rough Sleeping Initiative (£764,759 and £1,529,518) along with monies for the Next Steps Accommodation Pathway (£963,300). A significant element of the Rough Sleeping initiative money is the result of a pan East Sussex bid and is to be shared between the respective authorities.

137. A further £180,000 has recently been received for repeated rough sleepers – to be spent by 31 March 2021. The implications of the funding on existing budgets continues to be assessed.

138. The Council has been buying properties (£5.324m) to reduce the overall costs of homelessness. There is a further £1.855m in the programme for purchasing properties under the Next Steps Accommodation pathway in 2020/21.

139. Even with the grants received to date the service expects there to be budget deficits on homelessness and rough sleepers amounting to some £888,000 in 2020/21

140. **Leisure Services** - The government previously announced a £100m pot of funding that will assist Councils in meeting the ongoing costs of supporting leisure centres. This required councils to submit a detailed funding application by 15 January 2021 . The Council agreed at the meeting of Cabinet on 6 July 2020 to provide support to Freedom Leisure. The estimated costs being some £334,000 for 2020/21 – the net cost potentially reducing should funding be received from government. The outcome of the funding application is awaited at that time of writing.

141. **Capital Expenditure**

142. In terms of Capital expenditure in 2020-21 the Council is planning to spend £13,883,000 (Original budget £26,100,000) on capital projects. Of this £9,268,000 is due to be funded from borrowing, £4,611,000 by grants and contributions, and £4,000 from capital receipts.

Budget 2021/22

143. The Council's total service expenditure in 2021/22 is estimated at £13.47m. This compares to a revised estimate of £13.8m for 2020/21. The total expenditure for the Council increases to £16.642m in 2021/22 once net borrowing and debt repayment costs are taken into account.

144. 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 £14.018m (down from £14.844m in 2020/21 due to reductions in Covid-19 funding).

145. The funding settlement included a new grant, the Lower Tier Services Grant, which amounts to £162,661 in 2021/22. A further Covid-19 unringfenced grant is also to be received in April

2021 amounting to £698,862. In addition, the government is to provide support for the expected increase in Council Tax Support scheme costs – provisionally estimated at £195,200. The government have also extended the Lost Income Compensation scheme in respect of reduced Sales, fees and charges for 3 months into 2021/22. Against this are additional costs of homelessness and the as yet unknown ongoing costs/loss of income arising from Covid-19 as the impacts extend into next year. The contingency budget has been increased from £300,000 to £500,000 as a result of the uncertainties.

146. **A balanced budget can be achieved with the use of £1.483m of reserves in 2021/22 This deficit being funded from the Council's Resilience and Stability Reserve (£200,000) and the General Reserve (£1.283m). This leaves the General Reserves at £6.3m by March 2022 - which is just above the minimum level recommended (£6m).**

147. To help achieve the balanced budget for 2020/21, PIER saving targets were set as part of the budget setting process in February 2020; the achievement or otherwise of these will be reported to Cabinet in July 2021.

148. Services need to continue to identify opportunities to make in-year savings during 2021/22 and investigate other ways of achieving corporate objectives when staff leave the organisation.

149. 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.

150. As part of this year's process reductions of £484,000 have been identified for 2021/22, These reductions have been offset by growth – particularly with regard to homelessness. Please see Appendices K and K2 for details. Some of the larger savings were identified as part of previous year exercises and are now included in the base budget e.g. reductions in Community Partnership Funding, theatre funding, land sales.

(i) **Community Partnership Funding** (£148k p.a.) - Grants to community organisations for commissioned services (being taken on by the Foreshore Trust)

(ii) **Theatre** (reduced contribution (£100k p.a.) – A reduction in the annual contract costs

(iii) **Land sales** (£75k p.a. in 2021/22, increasing to £150k p.a. in 2022/23 onwards)- This is interest generated from land sales and invested. These monies may alternatively be used to finance new projects in the Capital programme rather than incur the borrowing costs.

(iv) **Tourism/Marketing** (£43k p.a.) - revised operations and location of the TIC at the college – works funded by the Towns fund (Accelerated programme). This does involve the potential redundancy of 3 members of staff (1.29 FTE).

(v) **Contact Centre** (£33k p.a.)– removal of one vacant post from the establishment as a result of more services and support moving online and not face to face contact.

The very significant savings once again identified are however exceeded by the additional costs (growth items) identified through the budget process.

These include:-

(i) **Homelessness** (£1,147,000 p.a.)
Significant additional funding has been received in the last few years to help address the homelessness issues. For 2021/22 we will receive £1,078K (**an additional £122k)** in respect of homelessness. However, the additional net costs for homelessness in 2021/22 have been estimated at £1.147m due to increasing demand and lack of available housing; this is after all the new initiatives being put in place and excludes the borrowing costs in respect of new properties acquired. These costs have been included at this level in the budget projections for future years.

(ii) **Housing Renewal/Enforcement (Additional Post)** – an additional post is sought after October should the new selective licensing scheme not proceed.

(iii) **Hastings Country Park Visitor Centre** (£40k p.a.)– Potential running costs and borrowing costs above those previously budgeted for. Whilst some further EU funding has now been announced for this project the final position may not be known until April 2021.

(iv) **Emergency Planning** – The Council, along with others in East Sussex, contract with the County Council to provide assistance and expertise. The increase in costs recognises the level of service provided.

(v) **Communications and Marketing** (£13k p.a. 2021/22 onwards). An additional post, required as the Council moves to more services on line and the need for improved communications.

(vi) **Public Conveniences** – Deep cleaning (£46k in 2020/21 &2021/22) – As a result of Covid there are enhanced levels of cleaning included in the budget as a temporary measure.

(vii) **Transformation Team** (£80k – 2021/22 only) – see below. The Council included additional resources for a period of two years – ending on 31 March 2021. Covid-19 has put back the work previously identified on digital transformation as well as highlighting the key advantages that such changes can bring.

151. In addition to the reductions in grant funding e.g. New Homes Bonus, there are a number of costs, that impact on 2021/22. These include :

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

152. **Transformation Team (Digital by Design)**

The 2019/20 budget included additional monies, £80,000 p.a. for 2 years, to help transform services to greater digital provision. These monies funded two additional posts.

153. The transformation team (4.5 FTE) continues to programme manage the customer first programme, revise processes and conduct reviews. The team work alongside IT to develop solutions which make long term efficiencies and improvements to the customer experience.

154. 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. The work of the team has been disrupted as a result of Covid-19 and as such it is proposed that the team be funded for a further year.

155. The Invest to Save fund is being used to fund one post already in 2021/22, but is insufficient to fund all of the costs and **hence it is recommended that additional funding be identified to retain the two posts to 31 March 2022 at a cost of some £80,000 p.a.** The posts are included within the draft 2021/22 budget - funded from the Government Grant Reserve. New burdens funding has been received (credited to the Government Grant Reserve) to help meet the costs arising from Universal Credit and the requirement to make system changes: One of the most significant system changes in 2021/22 is the move to Self-Service – for Revenues and Benefits.

156. The remaining Invest to Save monies are largely committed. In February 2020 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 2021/22 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 2021/22.

157. 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 the General Reserve. Likewise, the Council can recover some costs of disposal (revenue costs) from capital receipts when assets are sold.

158. The Council is required to meet the upfront costs associated with new projects/disposals e.g. feasibility costs, planning permission from revenue resources. To date it has funded these costs from the General Reserve or directly from revenue. The Council will need to identify funding to meet these costs in the future and needs to take these funding requirements into account when identifying a sustainable budget.

159. The budget does not include any provision for potential costs in respect of emergency works at Battle Road (dangerous structure). The Council may yet need to undertake works in default - the costs and timing thereof are not established. Should such works be required these could be fairly substantial and would be a call upon the Council's limited reserves.

160. **In summary there is an estimated deficit of £1,483,000 in 2021/22. The savings identified and additional income generated, mean that a balanced budget can be achieved in 2021/22 by using £1,483,000 of reserves.**

161. Achieving a balanced budget in 2021/22 without using reserves has not proven possible given Covid and the unprecedented increase in costs and loss of income. Whilst difficult to undertake, 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 for future years. Priority, once resources permit, will be to identify potential savings, whilst also concentrating on achieving the savings identified in the PIER process as listed in Appendix K e.g. management restructure. 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.

Budget 2022/23 and beyond

162. Given that the government's Spending Review (2020) was for one year only, forecasting future funding for 2022/23 and beyond remains difficult. 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.

163. The table below shows deficits of £2.2m in 2022/23, £2.5m in 2023/24, and £2.5m again in 2024/25. The 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.

	2020/21 (Revised) (£000's)	**2021/22 (£000's)**	**2022/23 (£000's)**	**2023/24 (£000's)**	**2024/25 (£000's)**
Net Expenditure	15,345	15,501	15,461	16,018	16,367
Funding	(14,845)	(14,018)	(13,156)	(13,372)	(13,725)
Shortfall	**500**	**1,483**	**2,305**	**2,646**	**2,642**
Use of Reserves	(500)	(1,483)	(100)	(100)	(100)
Estimated Shortfall	**0**	**0**	**2,205**	**2,546**	**2,542**

164. To achieve a balanced budget in 2022/23 further savings, or additional income needs to be generated. Failure to identify the savings would result in the further use of the General Reserve to balance the budget. Even deeper cuts would be required thereafter not only to achieve a balanced budget but also to restore reserves to minimum recommended levels.

165. These projections carry significant uncertainty – and take no account of any potential 5% annual decreases in future funding levels. Likewise, the figures do not show a full recovery of income streams – a structural change in market rent levels may occur in retail and office buildings for some time along with that of business rate income.

166. The future projections are identified in more detail in Appendix G. These estimates assume savings will be achieved in full and expenditure does not increase beyond inflation (except where separately identified). These projections are refined as and when more information is available.

167. The deficits are significantly higher than those calculated in February 2020, mainly as a result of Covid-19 and the additional ongoing homelessness costs (£1.147m) along with future reductions in income streams – particularly rentals, investment income, business rates and Council Tax. The projections include a reduction of £147,000 in respect of the New Homes Bonus. The 2021/22 budget includes the additional £698,000 in respect of additional Covid-19 pressures – this funding is not expected to be available in 2022/23.

Council Tax

168. 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
2020/21	1.99%	3.9%	270.78

169. As at the end of November 2020, the net amount due for the year amounted to £55,558,227 and £42,438,476 (76.39%) had been collected. This was some 1.18% less than that collected at the same stage last year and is some 2.63% below the 2020/21 target. In cash terms this represents £658,000 less than at the same stage as last year and some £1.461m less than the target.

170. The Council strengthened its recovery team last year with the assistance of a £50,000 annual contribution from ESCC. This will have had a positive impact on collection rates, but the impact of Covid-19 is evident given the very limited access to the courts, and the limited use of bailiffs to aid the recovery process.

171. The provision for bad debts is expected to increase significantly not only for 2020/21 but also for prior years. The impact will not be fully understood until after the year end. This could increase the budgeted deficit further and be a greater call on the Resilience and Stability Reserve or the General Reserve.

172. The government are requiring all billing authorities to spread the deficits that may arise on their Collection Fund this year over the next 3 year period. While not removing the deficit, it does allow a longer period over which it can be recovered i.e. allows a longer period for authorities to find savings. The compensation scheme detailed later should also partly assist with the shortfalls. The tax base for 2021/22 is some 1.8% lower as a result of few additional properties and the projected increase in the number of Council Tax Support claims. The effect is to decrease the tax base from 26,197 to 25,722 (a reduction equivalent to £128,000 p.a. to HBC alone).

173. It is again open to the Council to increase Council Tax for 2021/22. One percent on the Council Tax will equate to around £69,650 of additional income for this Council.

174. For 2021/22 the government have announced a shire district or borough Council can increase Council Tax by up to 2%, or up to and including £5, whichever is the higher. If higher than this the Council would be required to hold a referendum.

175. The figures in the appendices (Appendix M available at budget Council) show an indicative 1.99% increase for Hastings BC, a 3.49% increase for ESCC, 1.99% for the Fire Authority and a £15 increase for the Police and Crime Commissioner. (The actual increases will be advised by the respective authorities in due course).

176. Council Tax is at £270.78 p.a. (Band D – Hastings BC element) and a 1.99% increase for 2021/22 would take this to £276.17 p.a. This is a £5.39 per annum increase for a Band D property – a 10p per week increase (in respect of the Hastings Borough Council element).

Asset Sales - Capital Receipts

177. A number of revisions to the programme have been made to take account of changing circumstances. Appendix L provides the profile of programmed receipts.

178. 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.

179. It had 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. The budget proposals continue to include the disposal of sites such as Harrow Lane, Mayfield E, Bexhill Road (South), and land at Whitworth Road , which have been delayed by the pandemic.

180. 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).

181. 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.

182. 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.

183. 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.

184. Amendments to Financial Rules and Financial Operating Procedures were agreed at full Council in February 2020 to ensure that where a capital scheme involves a net increase in revenue 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.**

185. **Likewise, it was agreed that no properties or land be disposed of, either by sale or long leasehold, at less than market value without the express approval of Full Council.**

Capital Programme & Borrowing

186. The Capital programme (Appendix P), has not been immune to the impacts of Covid-19. The gross capital programme spend for 2020/21 is now estimated to be some £13.883m (Original budget £26.1m), with a net budget of some £9.272m. The £8.65m spend on property acquisitions for economic development and regeneration purposes in 2020/21 is not expected to occur given the uncertainties around property and the economy – this has now been removed from the programme. Individual opportunities will be considered on their merits by Council – currently there is potential for an almost unlimited Capital programme given the requirements within the Towns Fund and other opportunities for regeneration within the town. The level of borrowing required is expected to be some £9.268m this year against the estimated £16.5m in the original budget.

187. 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.

188. For 2020/21 there is slippage on a few schemes, including the restoration of Pelham Arcade Works and Roadway, Private Sector Housing renewal, Energy (Solar), Harold Place redevelopment, York Buildings.

189. The completion of the commercial development site in Bexhill Road should help to regenerate the area, provides new jobs and business rate income.

190. The level of Disabled Facility Grant (DFG) funding for 2020/21 was £1,812,584 The Council has been notified of additional funding from the government for Disabled Facility Grants amounting to £244,071. This takes the total receivable for 2020/21 to £2,056,655. The use of the additional money is being established.

191. The capital programme will be revised as and when DFG figures for 2021/22 are received – if different. 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. The service advises that Covid -19 has resulted in delays and that it expects the money to be fully used.

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

	Revised 2020/21 £'000s	2021/22 £'000s	2022/23 £'000s	2023/24 £'000s
Gross Capital Expenditure	13,883	22,463	12,145	1,959
Net Capital Expenditure	9,272	12,781	10,306	120
Financing from own resources	4	125	216	120
Borrowing Requirement	9,268	12,656	10,090	0

193. In terms of **net cost**, the **2020/21** programme has been revised to £9,272,000 from £16,936,000.

194. The **2021/22** programme amounts to £12,463,000 net of grants and contributions (£22,463,000 Gross).

195. 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

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

197. **Future Proposals:** Of significance are the potential schemes that will need funding in the long term e.g. new leisure centre, 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 – but are NOT yet included in the capital programme.

198. 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

199. 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 both in terms of the interest costs and the amount of money it has to set aside to repay debt (the Minimum Revenue Provision).

200. The capital programme has significantly increased in the last few years, as economic and regeneration opportunities have been taken. In 2021/22 borrowing is set to increase to some £88m if Capital schemes proceed and approaches £105m by the end of 2022/23. 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

201. 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.

202. 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.

203. 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)

204. Local authorities are required each year to set aside some of their revenues as provision for debt repayment; 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.

205. 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.

206. The MRP is set to increase substantially in 2021/22 and beyond as a result of additional borrowing, particularly in respect of economic and regeneration initiatives. The MRP for 2021/22 is estimated at £1,723,000 (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.

207. The table below identifies the estimated Capital Financing Requirement (CFR) for the current and next three years and the Minimum Revenue Provisions (MRP).

CFR	2019/20 (Actual)	2020/21 (Rev Est)	2021/22 (Est)	2022/23 (Est)	2023/24 (Est)
	£'000s	£'000s	£'000s	£'000s	£'000s
CFR-Opening	58,094	66,373	74,142	85,075	93,292
Less MRP	(£1,176)	(£1,499)	(£1,723)	(£1,873)	(£2,533)
Plus, New Borrowing	9,455	9,268	12,656	10,090	0
CFR Closing	66,373	74,142	85,075	93,292	90,759

208. 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 2021/22 and regularly thereafter, based on the proposed Capital programme, and subsequent changes and timing thereof.

209. The Commercial properties and housing assets are generally financed over 40 years and exceptionally 50 years (where newly constructed). Vehicles are financed over their useful lives (generally 7 to 10 years).

Reserves

210. 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.

211. 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.

212. 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.

213. For the budget strategy reserves at 31 March 2021 are estimated to consist of General and Earmarked Reserves, namely:-

General Reserves	**Estimated Balance at 31.3.2021 £'000s**	**Estimated Balance at 31.3.2022 £'000s**
Revenue Reserves	7,599	6,316
Capital Reserve (Revenue monies)	150	100
Total	**7,749**	**6,416**

Earmarked Reserves	Estimated Balance at 31.3.2021 £'000s	Estimated Balance at 31.3.2022 £'000s
Renewals and Repairs Reserve	1,367	1,070
Insurance & Risk Management Reserve	300	285
IT Reserve	189	155
On Street Car Parking	40	40
Section 106 Reserve (Revenue)	484	435
Section 106 Reserve (Capital)	8	1
Government Grant Reserve	519	366
Monuments in Perpetuity	46	45
Ore Valley Reserve	250	250
Resilience and Stability Reserve	1,000	800
Redundancy Reserve	664	439
Safer Hastings Partnership	92	92
Disabled Facilities Grants Reserve (DFG'S)	2,126	2,066
Invest to Save and Efficiency Reserve	87	5
Carry Forward Reserve	81	0
Controlling Migration	33	
Towns Fund	113	0
Selective Licensing (Incl. redundancy)	100	100
Housing Licensing Reserve	413	414
Revenue Hardship Fund	80	80
Syrian Refugee resettlement Programme	21	21
Community Housing Fund	40	40
Total	**£8,052**	**£6,704**

214. At 31 March 2021 the General Reserve will amount to an estimated £7.599m (unaudited). The Capital Reserve has a balance of £150k which is already committed e.g. empty homes strategy. Earmarked Reserves amount to £8.052m of which most is not available to use on other than specific areas e.g. DFG grants.

215. The combined value of the General and Earmarked Reserves at 31 March 2021 are estimated at £15.801m. The reserves are projected to decrease to £13.120m by 31 March 2022 (The estimated reserves position is shown in more detail in Appendix H).

216. As an absolute minimum, the General Reserve is recommended to be a minimum of £6m i.e. the non-earmarked reserves. The use of the General Reserve to balance the 2021/22 budget leaves the General Reserve very close to the minimum level. The £6m level 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, and of course the pandemic. As advised over the last decade, 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. The £6m 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

217. 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.

218. It is estimated that there will be some £6.316m of unallocated (at present) General Reserve by the end of 2021/22. 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. The further use of the Reserve could take the level below the minimum recommended level.

219. Should the Council not produce a balanced or sustainable budget during 2021/22 then the General Reserve 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, Harold Place, Cornwallis Street Hotel, will become increasingly hard to finance.

220. 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 (2-10 years). The 2021/22 budget includes a further £50,000 funded from the Renewal and Repair reserve, with £100,000 in the following year.

221. A sum of £400,000 has been added to the Resilience and Stability Reserve in 2020/21. This additional sum will help fund the 2021/22 deficit on the Collection fund which has to be spread over the next 3 years (HBC's share). £100,000 of the current balance is identified to help fund the deficit in 2021/22 – as a result of additional Council Tax Support Scheme costs and lower business rate receipts.

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

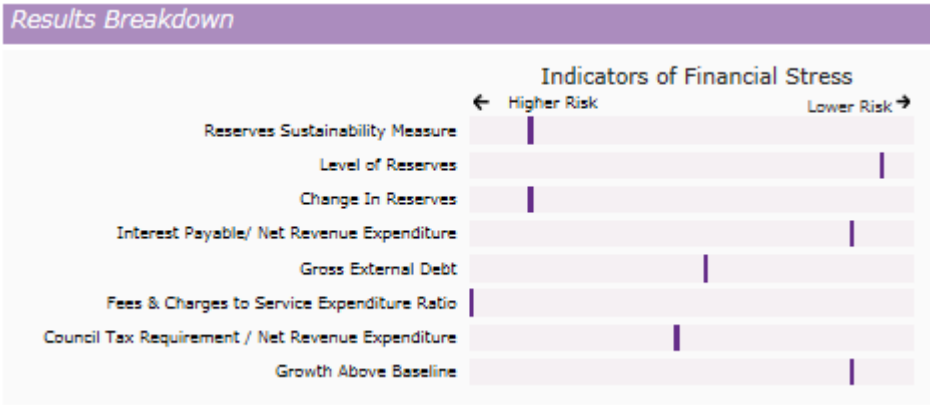
222. Flowing from the financial problems at Northampton CC, CIPFA developed a range of financial indicators relating to the resilience of local authorities given the funding crisis.

These included :-

- Reserves Sustainability Measure
- Level of Reserves
- Change in Reserves
- Interest Payable/Net Revenue Expenditure
- Gross External Debt
- Fees and Charges to service Expenditure Ratio
- Council Tax Requirement/ Net revenue Expenditure
- Growth above Business rate Baseline

223. The last figures produced by Cipfa were based on 2018-19 figures. New figures are expected to be released in mid February 2021.

Table: Showing CIPFA Indicators of Financial Stress for Hastings BC



224. Whilst some of the comparative data is out of date, the implications remain largely unchanged. 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. There is no longer any material business rate growth above the baseline.

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. The Council's external debt is increasing, and the total debt payments will also increase.

225. The reserves continue to be depleted and there is a low level of unallocated reserves. The analysis identifies that grants and Council Tax form a significant element of the Council's net budget, as do income streams and as external funding diminishes this poses a greater risk to the Council's sustainability.

Reserves

226. The Covid-19 pandemic has been unprecedented in modern times, and whilst this will hopeful not occur again for a long time, this is exactly the kind of unexpected financial shock reserves are designed to help councils absorb.

227. The increasing use of the reserves has been fully highlighted elsewhere in this report, and whilst it was always intended to use the transition reserves to help move to a lower spending Council the point has been reached where the Council needs to find savings during 2021/22 in order not to go below the minimum recommended level of reserves.

228. 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.

229. 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. The Council is not in this position.

Chief Finance Officer Statement

230. 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. However, the degree of uncertainty when determining the likely level of income receipts for 20/21 and 21/22 is unprecedented and the Council needs to be aware that the call on reserves could be significantly higher or potentially lower than the budget estimates allow.

(ii) the reserves are currently adequate – but may fall to below the minimum recommended level of £6m in 2021/22 if there are further unexpected events. As such they are no more than adequate given the uncertainties surrounding future funding streams and expenditure pressures, and the difficulties that will be faced in identifying and achieving more savings or generating additional income. Using more of the unallocated reserves could risk the future sustainability of the Council, and its ability to manage unforeseen events.

(iii) the reserves could now quite quickly become inadequate should the demand pressures increase, funding settlements for 2022/23 and beyond prove to be 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 financial implications in both the long and short term on the Council as a whole and its ability to deliver key services into the future.

(iv) Financial monitoring and control within the Council was further strengthened when setting the 2020/21 budget. However, the further management restructure will need to ensure that it will be capable of achieving the requirements of the Financial Management Code. In particular the Council's Financial Rules need to be fully supported and adhered to. 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. Financial reporting needs to be enhanced.

(v) The Council has had a very good record of identifying and achieving savings over the last 10 years. The Council has again identified spending reductions for 2021/22, 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.

Climate Change

231. The Council has made major commitments on climate change and the budget supports the objectives set out in the Corporate Plan to effect this. Projects contained within the Capital programme will need to support and comply with Council policies and objectives as a minimum and will be assessed on their merits when considered by Council.

232. It is expected that the Council's plans, policies, and objectives in this area will make greater calls on the Council's available resources in the future.

Equalities and Community Cohesiveness

233. 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).

234. 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

235. Numerous risks are highlighted in this report, and further comment is made below. The Council did not identify pandemic in its risk register but has prudently maintained reserves for unforeseen events. There are both short and long term implications arising from Covid-19 and these will need further evaluation. The Council's policy on Reserve levels has stood it in a good position to date.

236. 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.

237. 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.**

238. 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:-

(i) **Review of Relative Needs and Resources & Business Rates retention**
The Spending Review 2020 (SR20) provided some funding projections, but only a one year settlement for local government. The previously named Fair Funding Review (with a new grant funding regime) has been postponed yet again.

If the move to 75% retention business rate retention (from the current 50%) does happen, this will pass on the additional risks and volatility to councils – the implications will be very much in the detail but will not be the secure income stream once envisaged.

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. Rateable values, following appeals have declined in 2020/21 with the consequent impact on income.

(ii) **Income**

The Council has been seeking to grow its income streams considerably in the last few years. 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. Further amendments to Codes of Practice surrounding Treasury Management can be expected.

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.

Covid-19 and the economy will continue to impact on businesses, business rate and Council Tax collection rates, as well as major income streams such as property rentals and parking charges.

(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. 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 impacts on remaining staff can be significant. Likewise, 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 would normally fall wholly on the Council. The

government have however identified additional funding for 21/22 that should partially offset the costs. The total costs will depend upon the level of claims and the resultant deficit or surplus will show in the Collection Fund at the end of 21/22.

The Council will investigate a new scheme for 2022/23 with all the implications this has on the local community and the Council in devising the scheme.

The Council is not proposing any change to the scheme for 2021/22.

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 of last year the transfer of existing working age claimants to Universal Credit was expected to be completed by 2022 – whether this is delayed by Covid-19 remains unclear.

(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 transformation and digitalisation of services continues, and further restructuring seems inevitable.

Voluntary and/or compulsory redundancies often 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. The provision in the accounts and balance on the reserve is expected to be sufficient to meet the additional costs of transformation in 2021/22 given changes to the national pension scheme rules.

(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 low 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.
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 was a very welcome decision, but they have sought to appeal further .As such we may see this issue continue for some time to come.

(ii) **Business Rate Valuations/ Appeals** – The Valuation Office Agency (VOA) have advised that there will be a number of successful valuation appeals on large hospitals and NHS properties depending upon age and contruction. The resultant payments being backdated to 2017. This follows a similar decision on ATMs' this year which will have seen the Council pay out more than £½million by August 2020.

(iii) **Cliffs** – A further £50,000 has been allocated from the Renewal and Repairs reserve for additional works in 2021/22. Further costs are expected to arise once further clearance and repair work is undertaken and additional monies (£100k) are included in the budget for 2022/23. The Renewal and Repairs reserve cannot sustain this level of expenditure indefinately.

(x) **The Economy** – The economic and financial uncertainty surrounding Covid-19, Brexit and world wide trade agreements remains a major risk. 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) **Asset Disposals –** The Council resolved to dispose of some assets during 20/21 in order to enhance income streams . Covid-19 has delayed the sales.

(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 and the absolute need to meet Climate Change targets.

(xviii) **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

239. The report supports the alignment of corporate priorities with available resources and produces a balanced budget for 2021/22 (albeit with significant use of reserves).

240. The financial implications in 2021/22 and beyond are detailed in the report. However, significant further action by the Council will be required to produce a sustainable budget beyond 2021/22 and this may result in more job losses and service cuts.

241. The economic regeneration of the town remains a key priority for the Council, and the Towns Fund can play a significant role in achieving the ambitious objectives in these challenging times. The ability to work with partners to help stimulate the local economy continues but could be seriously impacted in the future with the reductions in our funding. There are also a number of significant projects within the capital programme that will help with the continued regeneration of Hastings.

242. 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 demand and cost pressures in terms of homelessness, growth in terms of the Council Tax Reduction scheme, volatility on business rates, and loss of new homes bonus after 2022/23, plus contract inflation and wage settlements.

243. The Council's reserves will reduce to near the minimum recommended level by the end of 2021/22. The ongoing impact of Covid-19 on the economy and Hastings is difficult to determine and hence the level of contingency has been increased – but could still be insufficient.

Organisational Consequences

244. The consequence is that besides staff reductions, others must be redirected - at least temporarily, towards priority areas. It is becoming clear that in some service areas there will be a significant backlog of work and projects to catch up on in 2021/22 and some staff will be catching up on missed leave.

245. There will inevitably be organisational consequences from time to time as savings must be made and staff redirected to other priorities. The review process continues given the substantial savings the Council is required to make and the uncertainty that still surrounds future funding, and the demand pressures on the Council. The Council seeks to minimise the impact wherever possible through redeployment and voluntary severance.

Anti-Poverty

246. 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 2021/22 – estimated to be in the region of £200,000 p.a. to Hastings BC alone, given the expected increase in claimants, although these costs are being offset by an additional government grant in 2021/22.

247. The Council has numerous projects and programmes included within the budget that seek to help and address Poverty within the borough. The Capital programme and bids for external funding are largely targeted towards sustainable economic development, regeneration, housing and renewable energy – in support of an ambitious Corporate Plan to address the pressing needs within the borough.

Consultation

248. The draft Corporate Plan and Budget has been the subject of consultation (from Friday 8 January 2021). The closing date for comments (Friday 5 February 2021) being after the dispatch of the Cabinet agenda and therefore any comments received are reported verbally to Budget Cabinet on 8 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.

249. The full Council meets to set the budget on 17 February 2021.

Timetable of Next Steps

250. 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 12 January 2021	Consultation Closes 5 February 2021	Chief Finance Officer
Budget Cabinet		8 February 2021	Chief Finance Officer
Budget Council		17 February 2021	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	Yes
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

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Budget - DRAFT

2021-2022

Financial Services
www.hastings.gov.uk

Appendices to Budget Report

Contents:

REVENUE BUDGET SUMMARY

Appendix A

	2020-2021 Original Budget £	2020-2021 Revised Budget £	2021-2022 Estimate Budget £
Directorates			
Corporate Resources	376,330	**(348,480)**	**807,560**
Operational Services	11,624,144	**14,193,100**	**12,160,078**
Direct Service Expenditure	12,000,474	**13,844,620**	**12,967,638**
Contingency Provision (incl. R&R Reserve)	300,000	**0**	**500,000**
Total Service Expenditure	12,300,474	**13,844,620**	**13,467,638**
Provision for the Repayment of Principal (MRP)	1,624,000	**1,499,551**	**1,722,911**
Net Interest (Earnings) / Payments	1,568,240	**1,248,983**	**1,452,027**
Total Expenditure	15,492,714	**16,593,154**	**16,642,576**
Amount to be met from Grant and Collection Fund			
Government Grant - Revenue Support Grant	(1,004,283)	**(1,004,283)**	**(1,009,837)**
Covid Grants (Unringfenced)	0	**(2,048,518)**	**(698,862)**
Lower Tier Services Grant	0	**0**	**(162,661)**
New Homes Bonus	(199,482)	**(199,482)**	**(173,162)**
NNDR (Surplus) / Deficit	187,752	**187,752**	**167,253**
Council Tax (Surplus) / Deficit	(50,307)	**(50,307)**	**(103,621)**
Housing Benefit Administration Grant	(397,789)	**(397,789)**	**(397,789)**
Council Tax Support Admin Grant	(157,497)	**(164,592)**	**(164,592)**
Business Rates	(2,771,268)	**(2,324,878)**	**(2,602,886)**
Business Rates - Pooling	(12,462)	**(12,090)**	**(1)**
Business Rates - Section 31 Grant	(1,564,173)	**(1,736,715)**	**(1,569,173)**
Council Tax - Section 31 Grant	0	**0**	**(199,520)**
Council Tax	(7,093,624)	**(7,093,624)**	**(7,103,645)**
Total Funding	(13,063,133)	**(14,844,526)**	**(14,018,495)**
Funding deficit / (surplus)	2,429,581	**1,748,628**	**2,624,081**
Reserve movements			
Contributions to Reserves (e.g. R&R)	722,000	**1,176,780**	**723,150**
Use of Earmarked Reserves (see Appendix H)	(1,969,420)	**(2,425,040)**	**(1,864,300)**
Net Contribution to/(from) Reserves	(1,247,420)	**(1,248,260)**	**(1,141,150)**
Use of Reserves to fund Deficit			
Transfer from Transition Reserve	(253,102)	**(253,102)**	**0**
Transfer from General Reserve	(929,059)	**(247,266)**	**(1,282,931)**
Transfer to/(from)Specific Reserve	0	**0**	**(200,000)**
Total	(1,182,161)	**(500,368)**	**(1,482,931)**
General Fund Movement	0	**0**	**0**
Net Council Expenditure	14,245,294	**15,344,894**	**15,501,426**

Appendix A (continued)

COUNCIL TAX

2020-2021 Total £	2020-2021 Band D £		2021-2022 Total £	2021-2022 Band D £	Increase %
13,063,133		Budget requirement	14,018,495		
(1,004,283)		Revenue Support Grant	(1,009,837)		
(157,497)		Council Tax Administration Support Grant	(164,592)		
(199,482)		New Homes Bonus	(173,162)		
137,445		Collection Fund (Surplus) / Deficit	63,632		
(1,974,424)		Other non-ring fenced grants	(3,028,005)		
(2,771,268)		Retained Business Rates	(2,602,886)		
7,093,624	**270.78**	**Borough Council Tax**	**7,103,645**	**276.17**	1.99%
39,086,448	1,492.02	County Council Precept	39,715,797	1,544.04	3.49%
2,502,599	95.53	Fire Authority Precept	2,506,121	97.43	1.99%
5,237,042	199.91	Police and Crime Commissioner Precept	5,527,915	214.91	7.50%
53,919,713	**2,058.24**	**Total Council Tax**	**54,853,478**	**2,132.55**	3.61%
	26,197.0	**Council Taxbase at Band D**		**25,722.0**	

TABLE OF COUNCIL TAX BANDS AND AMOUNTS :

2020-21 Total Amount	*Band and Value **	*Relationship to Band D*	*East Sussex C.C.*	*Police and Crime Commissioner*	*East Sussex Fire Authority*	*Hastings B.C.*	*2021-2022 Total Amount*
£1,372.16	A - up to £40,000	6 / 9	**£1,029.36**	**£143.27**	**£64.95**	**£184.11**	**£1,421.69**
£1,600.86	B - £40,001 up to £52,000	7 / 9	**£1,200.92**	**£167.15**	**£75.78**	**£214.80**	**£1,658.65**
£1,829.55	C - £52,001 up to £68,000	8 / 9	**£1,372.48**	**£191.03**	**£86.61**	**£245.48**	**£1,895.60**
£2,058.24	D - £68,001 up to £88,000	-	**£1,544.04**	**£214.91**	**£97.43**	**£276.17**	**£2,132.55**
£2,515.62	E - £88,001 up to £120,000	11 / 9	**£1,887.16**	**£262.67**	**£119.08**	**£337.54**	**£2,606.45**
£2,973.02	F - £120,001 up to £160,000	13 / 9	**£2,230.28**	**£310.43**	**£140.73**	**£398.91**	**£3,080.35**
£3,430.40	G - £160,001 up to £320,000	15 / 9	**£2,573.40**	**£358.18**	**£162.39**	**£460.28**	**£3,554.25**
£4,116.48	H - over £320,000	18 / 9	**£3,088.08**	**£429.82**	**£194.86**	**£552.34**	**£4,265.10**
43,683	Number of properties on Council Tax Banding List						43,744
£25,865	Each £1 of Council Tax at Band D will raise						£25,722

Appendix A (continued)

1. BUSINESS RATES BASELINE

	Budget 2020-21 Amount £	Revised Budget 2020-21 Amount £	Budget 2021-22 Amount £
NNDR Income			
Gross rateable value	62,553,968	61,565,469	61,565,469
Small business multiplier	49.9	49.9	49.9
Gross rates receivable	31,214,430	30,721,169	30,721,169
Reliefs and allowances for bad debt and appeals	(9,923,272)	(10,549,536)	(9,913,272)
Net rates less losses	21,291,158	20,171,633	20,807,897
Cost of Collection allowance	(130,479)	(130,479)	(132,166)
NNDR Income	21,160,679	20,041,154	20,675,731
Hastings BC Share (44% / 40%)	**8,463,597**	**8,016,462**	**8,270,292**
Tariff Calculation			
Business Rates Baseline for HBC	9,486,922	9,486,922	9,486,922
DCLG calculation of baseline funding level	3,819,518	3,819,518	3,819,518
Adjustment for Revised budget	0	0	0
Tariff	**5,667,404**	**5,667,404**	**5,667,405**
Levy calculation			
Total income	8,463,597	8,016,462	8,270,292
Add 50% small business relief	741,722	1,217,120	763,353
Add reliefs attracting Section 31 grant	331,450	301,700	314,049
Adjusted income	9,536,769	9,535,282	9,347,694
Less Tariff	(5,667,404)	(5,667,404)	(5,667,405)
	3,869,365	3,867,878	3,680,289
Baseline funding level	(3,819,518)	(3,819,518)	(3,819,518)
Growth	49,847	48,360	(139,228)
Levy payable (50% / 25% growth (pool share)	**24,924**	**24,180**	**1**
Pooling income (50% of levy / additional pool share)	**(12,462)**	**(12,090)**	**(1)**
Safety Net calculation			
Baseline funding level	3,819,518	3,819,518	3,819,518
Threshold (95.0% / 92.5% of baseline funding level)	3,533,054	3,628,542	3,533,054
Adjusted income less Tariff	3,869,365	3,867,878	3,680,289
Difference	336,311	239,336	147,235
Safety Net receivable	**0**	**0**	**0**
Business Rates Collection			
Business Rates precept	8,463,597	8,016,462	8,270,292
Tariff	(5,667,404)	(5,667,404)	(5,667,405)
Levy	(24,924)	(24,180)	(1)
Safety Net	0	0	0
Net Business Rates collection	**2,771,269**	**2,324,878**	**2,602,886**

2. COLLECTION FUND

	2020-21 Original Budget £	2020-21 Revised Budget £	2021-22 Estimate Budget £
Council Tax (Surplus) / Deficit	(50,307)	(50,307)	(103,621)
Non Domestic Rates (Surplus) / Deficit	187,752	187,752	167,253
Total Collection Fund (Surplus) / Deficit	**137,445**	**137,445**	**63,632**

INTEREST, MINIMUM REVENUE PROVISION & CONTRIBUTIONS TO RESERVES

Appendix B

	2020-21 Original Budget £000's	2020-21 Revised Budget £000's	2021-22 Estimated Outturn £000's
Net Interest Payments	1,568	1,249	1,452
Contributions to Reserves	722	1,177	723
Minimum Revenue Provision (Statutory provision for principal repayment arising from borrowing requirement)	1,624	1,500	1,723
Total	3,914	3,925	3,898

Interest	£000's	£000's	£000's
Gross Interest Payable	2,315	1,854	2,115
Gross Interest Received	(693)	(551)	(609)
Income and expenditure in relation to investment properties	(64)	(64)	(64)
Fees	10	10	10
	1,568	1,249	1,452

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: Resilience and Stability Reserve	0	400	0
Transfer to Specific Reserve re: Housing Licensing	0	55	1
R&R General	420	420	420
R&R White Rock Theatre	80	80	80
R&R re: New Vehicles	8	8	8
	722	1,177	723

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	722	1,177	723

SUMMARISED FULL BUDGET VARIATION ANALYSIS **Appendix C**

	2020/21 Revised Budget		2021/22 Budget	
	£	£	£	£
2019/20 Budget Surplus / (deficit)		(1,182,161)		(1,182,161)
Growth Items				
Inflation	0		(248,040)	
R&R Reserve funded items	0		(107,500)	
Income Losses - Covid related	(1,951,650)		0	
PIER Growth items -				
Temporary accommodation costs	(888,000)		(1,147,000)	
Housing Renewal /Enforcement - Additional Post	0		(20,000)	
Hastings Country Park - Visitor Centre operating costs	0		(40,000)	
Emergency Planning -increased use of ESCC resource	(6,000)		(13,000)	
Communications & Marketing - Additional Post	(29,000)		(13,000)	
Public Conveniences - Deep Cleaning	(46,000)		(46,000)	
Transformation Team	0		(80,000)	
	0		0	
		(2,920,650)		(1,714,540)
Savings				
PIER Savings - See Appendix K	60,000		484,000	
		60,000		484,000
Other changes				
(Increase) / Decrease in Provision for the Repayment of Principal (MRP)		124,449		(98,911)
(Increase) / Decrease in Contingency Provision		300,000		(200,000)
Additional interest costs		319,257		116,213
New Burdens Grant - Covid		210,000		0
Government Grant - Revenue Support Grant		0		5,554
Covid Grants (Un-ringfenced)		2,048,518		698,862
Sales, Fees and Charges Income Compensation Scheme		803,000		0
Lower Tier Services Grant		0		162,661
New Homes Bonus		0		(26,320)
NNDR Reduced Deficit		0		20,499
Council Tax (Surplus) / Deficit		0		(53,314)
Council Tax Support Admin Grant		7,095		7,095
Business Rates		(446,390)		(168,382)
Business Rates - Pooling		(372)		(12,462)
Business Rates - Section 31 Grant		172,542		5,000
Council Tax - Section 31 Grant		0		199,520
Council Tax Income Change		0		10,021
R&R Reserve funded items		114,700		0
(Increase) / Decrease Other Net Changes		(109,516)		157,464
Reserve movements		(840)		106,270
Unfunded Deficit		(500,368)		(1,482,931)
Use of Reserves to fund deficit				
Transfer from Transition Reserve	253,102		0	
Transfer from General Reserve	247,266		1,282,931	
Transfer to/(from)Specific Reserve	0		200,000	
		500,368		1,482,931
Balance		**0**		**0**

Appendix D

CAPITAL PROGRAMME SUMMARY

		Original 2020/21 £'000	Revised 2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	Subseq. Years £'000	Total over Prog Period £'000
Net cost by Service								
Corporate Resources		13,379	6,053	11,693	311	0	2	18,059
Operational Services		3,557	3,219	1,088	9,995	120	2,082	16,504
		16,936	**9,272**	**12,781**	**10,306**	**120**	**2,084**	**34,563**
Net cost by Status								
Committed Schemes	c	3,006	7,277	9,797	8,190	120	1,642	27,026
Uncommitted Schemes	u	8,650	0	0	2,116	0	0	2,116
New Schemes	n	5,280	1,995	2,984	0	0	442	5,421
		16,936	**9,272**	**12,781**	**10,306**	**120**	**2,084**	**34,563**
Gross cost of schemes analysed by service								
Corporate Resources		14,179	6,053	13,243	311	0	2	19,609
Operational Services		11,921	7,830	9,220	11,834	1,959	4,253	35,096
		26,100	**13,883**	**22,463**	**12,145**	**1,959**	**4,255**	**54,705**

CAPITAL PROGRAMME FINANCING STATEMENT

Appendix E

	2020/21 Original £'000	2020/21 Revised £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	Total over life of Programme £'000
Spending						
Capital Spending						
Total Gross Spend	26,100	13,883	22,463	12,145	1,959	50,450
Capital Grants and Contributions Received	(9,164)	(4,611)	(9,682)	(1,839)	(1,839)	(17,971)
Capital Requirement	**16,936**	**9,272**	**12,781**	**10,306**	**120**	**32,479**
Financing available						
New Capital receipts in year	185	30	5,030	30	30	5,120
Bfwd Capital Receipts	0	0	26	5,000	0	0
Total	185	30	5,056	5,030	30	5,120
Finance Used						
Capital Reserve / Revenue/R&R reserve	184	0	69	186	90	345
Capital Receipts used from asset sales	185	4	30	30	30	94
Capital receipts from prior years	0	0	26		0	26
Total Financing available from internal resources	**369**	**4**	**125**	**216**	**120**	**465**
Remaining Financing Requirement	**16,567**	**9,268**	**12,656**	**10,090**	**0**	**32,014**

Government Grant Reserves

Appendix F

Cost Centre Code	Description	Holding Account Code	Balance b/f 1 April 2020 £ 000's	Income & Transfers £ 000's	Expenditure & Transfers £ 000's	Balance c/f 31 March 2021 £ 000's	Income & Transfers £ 000's	Expenditure & Transfers £ 000's	Balance c/f 31 March 2022 £ 000's
20110	DCE-Revenues Division	Q1028	(424)	0	60	(364)	0	140	(224)
20124	EU Exit Funding Reserve	Q1039	(47)	0	5	(42)	0	5	(37)
20298	High Street Clean-up	Q1041	(16)	0	16	(0)	0	0	(0)
20216	FLAG	Q1011	(16)	0	16	0	0	0	0
20310	Local Authority Parks Improvement	Q1043	(15)	0	15	0	0	0	0
20262	Street Games	Q1032	(21)	0	0	(21)	0	0	(21)
20263	Sports for All	Q1030	(28)	0	0	(28)	0	0	(28)
20314	Countryside Stewardship	Q1007	(72)	0	8	(64)	0	8	(56)
	Total		**(639)**	**0**	**120**	**(519)**	**0**	**153**	**(366)**

Revenue Budget Forward Plan

Appendix G

Ref	Revenue Budget Forward Plan	2020-21 Revised Budget £000's	2021-22 Budget £000's	2022-23 Projection £000's	2023-24 Projection £000's	2024-25 Projection £000's
1	**Net Service Expenditure**	**13,845**	**12,968**	**13,327**	**13,694**	**14,067**
2	**Funding Commitments:-**					
3	Election Costs (bi-annually)			(70)	0	0
4	**Savings/Additional Income Identified**					
5	**Previous PIER savings**					
6	Theatre - reduced contributions			(100)	(100)	(100)
7	Land sales - Interest generated from investment of proceeds			(75)	(75)	(75)
8	Senior Management Restructure - remaining parts			(96)	(96)	(96)
9	PIER savings - Other			(49)	(49)	(49)
10	Income - Commercial Property			(25)	(25)	(25)
11	Income - re Schemes in Capital Programme			(54)	(662)	(669)
12	Fees and Charges			(30)	(60)	(90)
13	**Other:**					
14	Contingency Provision	0	500	300	300	300
15	Interest (net of Fees) & other Adjustments	1,249	1,452	1,600	1,699	1,701
16	Minimum Revenue Provision (excl. Inc Gen Adj)	1,500	1,723	1,874	2,533	2,544
17	Contribution to Reserves	1,177	723	723	723	723
18	Net Use of Earmarked Reserves	(2,425)	(1,864)	(1,864)	(1,864)	(1,864)
19	**Net Council Expenditure**	**15,345**	**15,501**	**15,461**	**16,018**	**16,367**
20	Taxbase	26,197	25,722	25,979	26,239	26,501
21	Council Tax	270.78	276.17	281.67	287.27	292.99
22	**Funding**					
23	From Collection Fund - Council Tax	(7,094)	(7,104)	(7,317)	(7,538)	(7,765)
24	From Collection Fund - Business Rates	(2,325)	(2,603)	(3,639)	(3,675)	(3,712)
25	Revenue Support Grant	(1,004)	(1,010)	0	0	0
26	Covid Grants Unringfenced	(2,049)	(699)			
27	Lower Tier Services Grant		(163)	(163)	(163)	(163)
28	New Homes Bonus	(199)	(173)	(26)	0	0
29	Council Tax Support Admin Grant	(165)	(165)	(152)	(141)	(130)
30	Housing Benefit Admin Grant	(398)	(398)	(368)	(340)	(315)
31	NNDR (Surplus) / Deficit	188	167	49	49	0
32	NNDR Pooling	(12)	(0)	(0)	(0)	(0)
33	Business Rates Section 31 Grant	(1,737)	(1,569)	(1,593)	(1,617)	(1,641)
34	Council Tax - Section 31 Grant		(200)			
35	Council Tax Surplus	(50)	(104)	53	53	0
36	**Contribution To General Fund**	**(14,845)**	**(14,018)**	**(13,156)**	**(13,372)**	**(13,725)**
37						
38	**Funding Shortfall / (Surplus)**	**500**	**1,483**	**2,305**	**2,646**	**2,642**
39						
40	**Use of General Reserve**	(247)	(1,283)	0	0	0
41	**Use of Transition Reserve**	(253)	0	0	0	0
42	**Use of Resilience and Stability Reserve**	0	(200)	(100)	(100)	(100)
43						
44	**Net Funding Shortfall / (Surplus)**	**0**	**0**	**2,205**	**2,546**	**2,542**

RESERVES **Appendix H**

	2020 / 21				2021 / 22		
	Balance at 1 April 2020 £'000	Income & Transfers £'000	Expenditure & Transfers £'000	**Balance at 31 Mar 2021 £'000**	Income & Transfers £'000	Expenditure & Transfers £'000	**Balance at 31 Mar 2022 £'000**
General Reserve	(7,551)	(295)	247	**(7,599)**	0	1,283	**(6,316)**
Capital Reserve	(150)	0	0	**(150)**	0	50	**(100)**
Earmarked Reserves							
Renewal and Repairs Reserve	(1,556)	(508)	697	**(1,367)**	(508)	805	**(1,070)**
Risk Management Reserve	(315)	0	15	**(300)**	0	15	**(285)**
Information Technology Reserve	(122)	(214)	147	**(189)**	(214)	248	**(155)**
On-Street Car Parking Surplus Reserve	(40)	0	0	**(40)**	0	0	**(40)**
Section 106 Reserve (Revenue)	(533)	0	49	**(484)**	0	49	**(435)**
Section 106 Reserve (Capital)	(336)	0	328	**(8)**	0	7	**(1)**
Government Grant Reserve	(639)	0	120	**(519)**	0	153	**(366)**
Monuments in Perpetuity	(46)	0	1	**(46)**	0	1	**(45)**
Ore Valley Reserve	(250)	0	0	**(250)**	0	0	**(250)**
Resilience and Stability Reserve	(600)	(400)	0	**(1,000)**	0	200	**(800)**
Transition Reserve	(253)	0	253	**0**	0	0	**0**
Redundancy Reserve	(664)	0	0	**(664)**	0	225	**(439)**
Safer Hastings Partnership	(96)	0	5	**(92)**	0	0	**(92)**
Disabled Facilities Grant	(2,186)	0	60	**(2,126)**	0	60	**(2,066)**
Invest to Save and Efficiency Reserve	(169)	0	82	**(87)**	0	82	**(5)**
Clinical Commissioning Group	(260)	0	260	**0**	0	0	**0**
Carry-forward Reserve	(977)	0	896	**(81)**	0	81	**0**
Controlling Migration	0	(204)	171	**(33)**	0	33	**0**
Towns Fund	0	(173)	60	**(113)**		113	**0**
Selective Licensing Reserve (inc. redundancy)	(604)	0	504	**(100)**	0	0	**(100)**
Revenue Hardship Fund	(80)	0	0	**(80)**	0	0	**(80)**
Syrian Refugee Resettlement Programme	(21)	0	0	**(21)**	0	0	**(21)**
Housing Licensing Reserve	(358)	(55)	0	**(413)**	(1)	0	**(414)**
Community Housing Fund	(71)	0	31	**(40)**	0	0	**(40)**
	(17,877)	**(1,849)**	**3,925**	**(15,801)**	**(723)**	**3,405**	**(13,120)**

Appendix H (Continued)

EXPENDITURE FUNDED BY USE OF RESERVES

(expenditure & transfers) / Income & transfers	Cost Centre / Account	2020-21 Original £	2020-21 Revised £	2021-22 Estimate £
General Reserve	Q1012			
General reserve Saving to/(Use of)		(929,059)	247,266	(1,282,931)
Total		(929,059)	247,266	(1,282,931)
Transfers between Reserves				
Carry Forward Reserve to General Reserve	Q1004	0	(19,000)	0
Government Grant Reserve to General Reserve	Q1011	0	(16,000)	0
Carry Forward Reserve to Controlling Migration	NEW	0	(204,410)	0
CCG Reserve to General Reserve	Q1020	0	(260,000)	0
Carry Forward Reserve to Towns Fund	NEW	0	(172,910)	0
		0	(672,320)	0
Carry Forward Reserve	Q1004			
Carried forward		(77,740)	(499,680)	(81,000)
		(77,740)	(499,680)	(81,000)
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		0	0	(50,000)
		0	0	(50,000)
Disabled Facilities Grant	Q1008			
Disabled Facilities Grant - Salaries		(60,000)	(60,000)	(60,000)
Disabled Facilities Grant - Capital		(1,752,584)	(940,000)	(1,752,584)
		(1,812,584)	(1,000,000)	(1,812,584)
Renewal & Repairs Reserve	Q1026			
(per programme of works - Appendix J)		(812,000)	(697,300)	(704,500)
Capital		0	0	(46,000)
Vehicles		0	0	0
Contingency		(100,000)	0	(100,000)
		(912,000)	(697,300)	(850,500)
Transition Reserve	Q1034			
Transfer to General Fund		(253,102)	(253,102)	0
Resilience and Stability Reserve	Q1031	0	0	(200,000)
Information Technology Reserve	Q1013			
(per programme of works - Appendix I)		(214,000)	(147,000)	(248,000)
		(214,000)	(147,000)	(248,000)
Invest to Save & Efficiency Reserve	Q1015			
Transfer to General Fund		(159,000)	(82,000)	(82,000)
Transfer to Capital Reserve		0	0	0
		(159,000)	(82,000)	(82,000)
Redundancy Reserve	Q1024			
Transfer to General Fund		(225,000)	0	(225,000)
		(225,000)	0	(225,000)

Appendix H (Continued)

Earmarked Reserves	Cost Centre	2020-21 Original £	2020-21 Revised £	2021-22 Estimate £
Government Grant Reserve	Various			
capital		0	0	0
(further details - Appendix F)		(80,000)	(104,000)	(153,000)
		(80,000)	(104,000)	(153,000)
Monuments in Perpetuity	Q1023			
capital				
Revenue	20303	(500)	(500)	(500)
		(500)	(500)	(500)
S106 Reserve				
Capital	Q2451	0	(328,000)	(7,000)
Revenue	Q1029	(20,000)	(49,000)	(49,000)
		(20,000)	(377,000)	(56,000)
On-Street Car Parking Surplus Reserve	Q1003			
Havelock Road Crossing	20292	(40,000)	0	0
		(40,000)	0	0
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	(4,500)	0
		0	(4,500)	0
Clinical Commissioning Group	Q1020			
Housing NHS CCG		0		0
Lets Get Moving		0	0	0
		0	0	0
Selective Licensing	Q1042			
Selective Licensing surplus / deficit	20195	(127,180)	(504,000)	0
		(127,180)	(504,000)	0
First World War Reserve	Q1010	0	0	0
		0	0	0
Housing Licensing Reserve	Q1036			
Housing Licensing Reserve		(39,000)	0	0
		(39,000)	0	0
Syrian Refugee Resettlement Programme	Q1033	0	0	0
		0	0	0
Community Housing Fund	Q1037			
Housing Administration		0	(30,840)	0
		0	(30,840)	0
Controlling Migration	NEW	0	(171,310)	(33,300)
		0	(171,310)	(33,300)
Revenue Hardship Fund	Q1027	0	0	0
		0	0	0
Towns Fund	NEW	0	(59,910)	(113,000)
		0	(59,910)	(113,000)
Total use of earmarked and capital reserves *	A	(3,975,106)	(3,946,142)	(3,919,884)
Revenue use of earmarked reserves		(1,969,420)	(2,425,040)	(1,864,300)
Transfers between Reserves		0	(672,320)	0
Capital use of earmarked reserves		(1,752,584)	(1,268,000)	(1,855,584)
Transition Reserve and Com / Econ Reserve		(253,102)	(253,102)	(200,000)
Total Expenditure & Transfers (Excl. General Reserve Use)	B	(3,975,106)	(4,618,462)	(3,919,884)

INFORMATION TECHNOLOGY RESERVE **Appendix I**

	2020-21 Original £'000	2020-21 Revised £'000	2021-22 ESTIMATE £'000	2022-23 ESTIMATE £'000	2023-24 ESTIMATE £'000
OPENING BALANCE :					
BALANCE B/FWD. AT 1 APRIL	**(122)**	**(122)**	**(189)**	**(155)**	**(155)**
EXPENDITURE :					
GOVCONNECT	9	0	9	9	9
MICROSOFT LICENSING FOR TEST ENVIRONMENT	0	1	15	0	0
RESILIENCE IMPROVMENTS	0	3	0	0	0
ANTI VIRUS	0	10	0	0	0
KACE SYSTEMS MANAGEMENT SERVER	0	4	4	0	0
SERVICE REVIEW EFFICIENCY PROJECTS	80	0	90	90	90
PC HARDWARE AND SOFTWARE	115	115	115	115	115
MICROSOFT 365	0	7	0	0	0
SERVER OPERATING SYSTEMS UPGRADES	10	0	10	0	0
UPS UPGRADES	0	7	0	0	0
COMMVAULT UPGRADE	0	0	5	0	0
	214	**147**	**248**	**214**	**214**
INCOME :					
CONTRIBUTIONS TO RESERVE - FROM GENERAL FUND	**(214)**	**(214)**	**(214)**	**(214)**	**(214)**
CLOSING BALANCE :					
BALANCE IN-HAND C/FWD. AT 31 MARCH	**(122)**	**(189)**	**(155)**	**(155)**	**(155)**

RENEWAL AND REPAIRS RESERVE

APPENDIX J

2019-20 Actual £		2020-21 ORIGINAL BUDGET £	2020-21 REVISED BUDGET £	2021-22 ESTIMATED BUDGET £
	OPENING BALANCE:			
1,599,714	BALANCE BROUGHT FORWARD	**1,201,134**	**1,555,956**	**1,366,656**
	INCOME:			
354,889	CONTRIBUTIONS TO RESERVE - GENERAL	**508,000**	**508,000**	**508,000**
354,889		**508,000**	**508,000**	**508,000**
	EXPENDITURE:			
398,648	PROGRAMMED REPAIRS AND REDECORATIONS	**282,500**	**259,500**	**199,000**
	OTHER REPAIRS & RENEWALS	**529,500**	**437,800**	**505,500**
398,648	SUB TOTAL	**812,000**	**697,300**	**704,500**
0	CAPITAL EXPENDITURE FUNDED FROM RESERVES	**0**	**0**	**46,000**
0	VEHICLES	**0**	**0**	**0**
0	PROVISION FOR UNEXPECTED ITEMS	**100,000**	**0**	**100,000**
398,648		**912,000**	**697,300**	**850,500**
	CLOSING BALANCE:			
1,555,956	BALANCE CARRIED FORWARD	**797,134**	**1,366,656**	**1,024,156**

PROGRAMMED REPAIRS AND REDECORATIONS FINANCED BY THE RENEWAL AND REPAIRS RESERVE

Appendix J (con't)

Cost Centre	Reference	PROPERTY	DESCRIPTION OF WORK	2020-2021 ORIGINAL BUDGET £	2020-2021 REVISED BUDGET £	2021-2022 ESTIMATE £	2022-2023 ESTIMATE £	2023-2024 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	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	ALL BUILDINGS - FIRE RISK	Fire risk assessments & works arising	6,000	6,000	6,000	6,000	6,000
20118	PR051	ALL BUILDINGS - AIR CONDITIONING	AC energy efficiency certification (every 3 years)	4,000	4,000	4,000	4,000	4,000
20118	PR52	ALL BUILDINGS - ENERGY CERTIFICATION	Annual Display Energy Certs for major bldgs	1,000	1,000	1,000	1,000	1,000
20118	PR54	ALL BUILDINGS - LEGIONELLA RISK	Automated checks & monitoring inc hygiene assess	25,000	20,000	20,000	25,000	25,000
20118	PR55	ALL BUILDINGS - ELECTRICAL TESTING	routine cyclical testing & works arising	6,000	6,000	6,000	6,000	6,000
20118	PR57	ALL BUILDINGS - SAFETY ANCHORS	Annual testing of access safety anchors	2,000	2,000	2,000	2,000	2,000
20118	PR58	ALL BUILDINGS - AUTOMATIC DOORS	Annual maintenance routine	500	500	500	500	500
20132	PR008	BANK BUILDINGS	External redecs to front elevation	0	0	8,000	0	0
20131	PR009	MICRO UNIT FACTORIES	External redecs	0	0	5,000	0	0
20131	PR037	FACTORY UNITS	External redecs/roof repairs to empty units	30,000	30,000	30,000	0	0
20132	PR041	OTHER BUILDINGS (ESTATES MISC.)	Essential upgrades/repairs.	10,000	10,000	10,000	0	0
20245	PR023	WEST HILL CLIFF RAILWAYS	Redecorations & repairs	5,000	5,000	5,000	5,000	5,000
20245	PR024	EAST HILL CLIFF RAILWAYS	Redecorations & repairs	5,000	5,000	5,000	5,000	5,000
20258	PR034	FALAISE FITNESS CENTRE	External redecorations.	0	0	0	25,000	25,000
20303	PR013	CREMATORIUM	Internal / External redecorations. Main GF offices	5,000	5,000	0	0	0
20303	PR014	CREMATORIUM - CREMATOR FT2	Rehearthing & rebricking of cremator FT2	46,000	46,000	7,000	7,000	7,000
20303	PR014	CREMATORIUM - CREMATOR FT3	Rebricking / rehearthing of cremator FT3	47,000	47,000	8,000	8,000	8,000
20303	PR52a	CEMETERY	Path health & safety repairs	16,000	8,000	8,000	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	6,000	6,000	6,000	6,000	6,000
20250	OR255	FRONT LINE	Concrete health & safety repair works	9,000	9,000	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	2,000
20259	PR033	SUMMERFIELDS SPORTS CENTRE	External redecs	0	0	5,000	0	0
20310	PR026	SPORTS PAVILIONS	Int/ext redecs.	8,000	8,000	4,000	8,000	8,000
20310	PR044	ALEXANDRA PARK RAILINGS	Phased railing redecorations	5,000	5,000	5,000	5,000	5,000
20313	PR028	HASTINGS C P - VISITOR CENTRE	Int/ext redecs.	0	0	2,500	0	0
20306	PR030	HASTINGS STATION - FISHING BOAT FEATURE	Survey repairs / redecs	2,000	2,000	0	0	0
20306	PR031	TOWN CENTRE UNDERPASS	Decoration	2,000	2,000	0	0	0
		Total of Programmed work		**282,500**	**259,500**	**199,000**	**184,500**	**184,500**

OTHER REPAIRS AND REDECORATIONS FINANCED BY THE RENEWAL AND REPAIRS RESERVE

Appendix J (con't)

Cost Centre	Reference	PROPERTY	DESCRIPTION OF WORK	2020-2021 ORIGINAL BUDGET £	2020-2021 REVISED BUDGET £	2021-2022 ESTIMATE £	2022-23 ESTIMATE £	2023-24 ESTIMATE £
20245	OR247	EAST HILL LIFT LOWER STATION	Roof replacement	0	0	0	30,000	0
20249	OR250	WHITE ROCK THEATRE	General repair contributions	0	0	20,000	20,000	0
20249	OR251	WHITE ROCK THEATRE	Contribution to large plant / boiler replacement	51,000	41,300	0	0	0
20306	OR314	FISHING BOAT AT STATION APPROACH	Repairs inc. stone dressing	0	0	2,000	0	0
20310	OR231	CLIFF REPAIR SURVEY	Biennial or Sextennial survey	8,000	8,000	0	15,000	0
20313	OR211	HASTINGS COUNTRY PARK - TACKLEWA	Health & safety repairs and repointing	0	0	0	1,000	0
20259	OR326	INDOOR BOWLS CENTRE	Equality Act works	20,000	20,000	10,000	0	0
20259	OR332	SUMMERFIELDS LEISURE CENTRE	Installation of UV water hygiene treatment, if req'd and justified by FL due to alterations to regulations.	0	0	0	5,000	0
20251	OR334	JOHNS PLACE MUSEUM	Essential stoneworks repairs to interior of window openings	3,000	3,000	0	9,000	0
20310	OR339	CLIFFS	Cliff Repairs arising from engineer's inspections	100,000	100,000	50,000	100,000	0
20117	OR340	MURIEL MATTERS HOUSE REPLACEMENT RISING MAIN	Replacement of existing rising main in rear of building to avoid further flooding issues	10,000	10,000	0	0	0
20117	OR342	MURIEL MATTERS HOUSE - PASSENGER LIFTS	Heavy duty door closing mechanisms	0	0	0	5,000	0
20245	OR347	WEST HILL LIFT - ATTENDANT'S & STORE AREAS	Works to patio waterproofing to prevent water ingress	0	0	18,000	0	0
20250	OR348	PROMENADE SURFACING	Further tarmac repairs to worst areas	30,000	30,000	30000	50000	0
20310	OR364	BEXHILL REC WEST	Internal redecoration	10,000	0	10000	0	0
20245	OR374	WEST HILL LIFT - ENTRANCE ROOF	Replace railings with galv. steel railings	5,000	0	5000	0	0
20310	OR385	ALEXANDRA PARK	Information Shelter lower decoration	2,000	0	2,000	0	0
20310	OR392	ALEXANDRA PARK	Lower Stream Culvert Wall	4,000	4,000	0	0	0
20310	OR395	WHITE ROCK GARDENS	Demolition of old toilet block	0	0	9,000	0	0
20245	OR405	EAST HILL CLIFF RAILWAY - UPPER STATION	Pedestrian paths resurfacing - deterioration of existing patched up surface creating trip hazards	10,000	0	10000	0	0
20303	OR410	CEMETERY CHAPEL	Front window and stone reveal repairs	0	0	20,000	0	0
20313	OR411	HASTINGS COUNTRY PARK	Surface dressing to Coastguard Lane tarmac/asphalt path surfacing	25,000	0	25,000	0	0
20246	OR412	HASTINGS CASTLE	Curtain wall consolidation following emergency stabilisation works	25,000	25,000	0	0	0
20251	OR413	HASTINGS MUSEUM & ART GALLERY	Works to improve security following report	10,000	10,000	0	0	0
20259	OR416	SUMMERFIELDS LEISURE CENTRE	Re-tiling of edge of pool	100,000	100,000	0	0	0
20310	OR417	BEXHILL REC BRIDGE 6	Repair & redec to steel support (H&S)	2,000	2,000	0	0	0
20313	OR418	HCP LOWER ECCLESBOURNE GLEN	2 no. new boardwalk bridges (H&S)	3,000	3,000	0	0	0
20310	OR419	ST JOHNS PLAYGROUND	Stabilise playground retention wall	2,500	2,500	0	0	0
20310	OR420	TORFIELD MUGA	Survey of subsidence to MUGA corner	2,000	2,000	2,500	0	0
20310	OR421	SUMMERFIELDS WOODS	New bridge over heritage site Roman Bath (H&S)	4,000	4,000	0	0	0
20310	OR422	WEST MARINA GARDENS	Timber repairs & redecorate	0	0	2,000	0	0
20310	OR423	ALEXANDRA PARK SHORNDEN	Reservoir access point for Idverde	0	0	1,500	0	0
20313	OR424	HASTINGS COUNTRY PARK OLD VISITOR CENTRE	External & redecoration	0	0	2,500	0	0

OTHER REPAIRS AND REDECORATIONS FINANCED BY THE RENEWAL AND REPAIRS RESERVE

Appendix J (con't)

Cost Centre	Reference	PROPERTY	DESCRIPTION OF WORK	2020-2021 ORIGINAL BUDGET £	2020-2021 REVISED BUDGET £	2021-2022 ESTIMATE £	2022-23 ESTIMATE £	2023-24 ESTIMATE £
20313	OR425	HASTINGS COUNTRY PARK HIGH WICKHAM	Replace knee rail with posts	0	0	2,500	0	0
20310	OR426	GENSING GARDENS	Sandstone wall repairs	0	0	3,000	0	0
20310	OR427	WHITE ROCK GARDENS EAST	Make good to pillar remains	2,000	2,000	0	0	0
20310	OR428	WHITE ROCK GARDENS WEST	Repair or replace tennis court fence	0	0	3,500	0	0
20310	OR429	ALEXANDRA PARK	Resin bonded paths phased resurfacing	0	0	5,000	0	0
20313	OR430	HASTINGS COUNTRY PARK YARD	Clear historic waste	0	0	6,000	0	0
20287	OR431	CARLISLE PARADE UNDERGROUND CAR PARK	Replacement of lighting	10,000	10,000	0	0	0
20251	OR432	HASTINGS MUSEUM & ART GALLERY	Lightning protection upgrade	5,000	0	5,000	0	0
20250	OR433	BOTTLE ALLEY	Cleaning of glass mosaic	10,000	10,000	0	0	0
20117	OR434	MURIEL MATTERS HOUSE	Heating pipe insulation	0	0	15,000	0	0
20313	OR435	HASTINGS COUNTRY PARK PATHS - EAST COASTGUARD LANE	Reapply 'Fibredec' last laid in 2015	25,000	0	25,000	0	0
20117	OR436	MURIEL MATTERS HOUSE	Repairs to rear car park waterproofing	20,000	20,000	0	0	0
20250	OR437	WEST OF HAVEN	Resurface MP path to worn areas of mesh	6,000	6,000	0	0	0
20250	OR438	CINQUE PORTS WAY	Resurface highway tarmac (non ESCC)	15,000	15,000	0	0	0
20250	OR439	MILLSTONE FOUNTAIN	Replace inlet grille & improve internals	0	0	2,000	0	0
20250	OR440	BOTTLE ALLEY UPPER	Railing replacement - heritage railings poor	0	0	25,000	0	0
20245	OR441	EAST HILL LIFT PUBLIC CONVENIENCE	Interior refit due to dampness	10,000	10,000	0	0	0
20310	OR442	GENSING GARDENS WALL	Rebuild wall in Conservation Area.	0	0	60,000	0	0
20310	OR443	BEXHILL EAST SPORTS PAVILION	Full roof replacement	0	0	34,000	0	0
20310	OR444	WARRIOR SQUARE GARDENS (EAST)	Major repair works	0	0	8,000	0	0
20310	OR445	WHITE ROCK GARDENS	Major repair works to west boundary wall	0	0	12,000	0	0
20310	OR446	WHITE ROCK SUN SHELTER	Repair and redecorate shelter railings	0	0	2,000	0	0
20287	OR447	GRAND PARADE UGCP	Concrete repairs to prom support beams	0	0	20,000	0	0
20148	OR448	BUS SHELTERS	Repair & Replacement Programme	0	0	12,000	15,000	0
20251	OR449	HASTINGS MUSEUM & ART GALLERY HEATING BOILERS	Replace existing heating boiler	0	0	0	30,000	0
20132	OR450	12/13 York Buildings Flat Conversion	Contribution to capital project	0	0	46,000	0	0
		Total of Other Work		**529,500**	**437,800**	**505,500**	**280,000**	**0**

PIER Outcomes

Appendix K

		Cost Centre	Revised 2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000
	PIER Savings identified in 2019/20 for 2021/22 & beyond (not included elsewhere)					
1	Senior Administration Officer (Environment and Place)	20169	18	34	34	34
2	Senior Management Restructure	20135	0	0	96	96
3	Reduce support to" In 2 Play"	20267	0	10	19	19
4	Business Support/HR - Create Administration Hub	Various	0	0	30	30
5	Theatre - Reduced Contribution	20249	0	100	100	100
6	Community Partnership Fund - Cease from 2021/22	20219	0	148	148	148
7	Land sales - Interest generated by proceeds from land sales - revised	Various	0	75	150	150
	Total Prior year identified savings for 2020-21 onwards		**18**	**367**	**577**	**577**
	PIER Savings identified for 2020/21 Budget Process					
8	Tourism/Marketing - Revised operations and location of TIC	20225	0	43	43	43
9	Parking Services - Reduction in leased Vehicles	20317	9	9	9	9
10	Local Licensing Manager	20281	0	11	11	11
11	Contact Centre - Staffing	20113	33	33	33	33
	PIER Savings identified for 2021/22 Budget Process	**Sub-total**	**42**	**96**	**96**	**96**
12	Rental Space - Muriel Matters House	Various		21	29	29
	PIER Additional Income Identified 2021/22 Budget Process (excluding fees and charges)	**Sub-total**	**0**	**21**	**29**	**29**
		Total PIER Savings	**60**	**484**	**702**	**702**
	Growth Items					
13	Housing Temporary Accommodation	20182	(888)	(1,147)	(1,147)	(1,147)
14	Housing Renewal /Enforcement - Additional Post from October 2021	20191	0	(20)	(40)	(40)
15	Hastings Country Park - Visitor Centre operating costs	20312 (£20k)/ Borrowing costs	0	(40)	(40)	(40)
16	Emergency Planning - increased use of ESCC resources	20286	(6)	(13)	(13)	(13)
17	Communications & Marketing - Additional 0.5fte Post	20324	(29)	(13)	(13)	(13)
18	Public Conveniences - Enhanced Cleaning	20315	(46)	(46)	0	0
19	Transformation Team	20115	0	(80)	0	0
	Total Growth	**Sub-total**	**(969)**	**(1,359)**	**(1,253)**	**(1,253)**
20	**Net Overall Savings/ (Growth)**	**Total**	**(909)**	**(875)**	**(551)**	**(551)**

Hastings Borough Council Efficiencies, Income, and Savings Proposals for 2021/22 onwards and equality impact

The council is acutely aware of the impact it's spending and savings decisions has on our town and communities. In allocating its resources, the council must first fund its statutory responsibilities – activity it is required by law to undertake. The level of funding available to the council has been greatly reduced by austerity since 2010, and more recently by the pandemic which has impacted our income levels and increased/increasing service demand from our most vulnerable residents who are entitled to support. This leaves the council seeking to balance funding for its priorities. In proposing service and budget reductions, we seek to mitigate as far as possible negative consequences for our community.

Note: The following table identifies the likelihood of negative impact of these budget decisions on groups who share protected characteristics as defined by the Equality Act 2010. The council's budget also funds a significant level of other activity, (much of which is discretionary) to meet the needs of our most vulnerable and socially excluded residents, to address inequality of opportunity and deprivation which by definition is not included here.

Proposal	Savings/ Income £000			HBC Staff impact	Likelihood of negative impact on Equality Act protected characteristics Low – Medium – High
	21/22	22/23	23/24		
HER Savings identified previously for 2021/22 & beyond (not included elsewhere)					
1. Senior Administration officer (Environment and Place) The Senior Management Restructure agreed in February 2020 identified 4 FTE posts to be deleted, a Director, an AD and 2 FTE Personal Assistant posts. The postholder took voluntary severance in summer 2020.	£34,000	£34,000	£34,000	N/A – (Post deletion agreed in 2020)	**Low**
2. Senior Management Restructure The February 2020 council agreed to reduce senior management costs by £260,000. Whilst a significant proportion of the savings have been achieved (loss of a Director post, reduction in hours of an Assistant Director and the deletion of two senior admin posts), the remainder of the restructure has been delayed due to the need to retain capacity to manage the pandemic. This will now take effect from the start of 2022.	£0	£96,000	96,000	TBD	**Low**

3. Reduce support to" In 2 Play" The council decided as part of its last budget to taper support to In to Play.	£10,000	£19,000	£19,000	N/A	**Medium –** the council acknowledges that this will have a disproportionate impact on the users of this service, however our financial position means we are unable to continue our direct financial support in this way.
4. **Business Support/HR – administration hub** The project to identify a new service support model to provide appropriate levels of administration, technical and project support across HBC was delayed as a result of the pandemic. This will be undertaken in 2021/22.	£0	£30,000	£30,000	TBD	**Low**
5. White Rock Theatre - Reduced Contribution The contract extension agreed with HQ Theatres & Hospitality provides for a tapering contribution over the remaining length of the contract.	£100,000	£100,000	£100,000	N/A	**Low**
6. Community Partnership Fund - Cease from 2021/22 The council decided in February 2019 to cease the community partnership grant programme and seek alternative sources of funding for the programmes this fund supports. From 2021 onwards the Foreshore Trust will be operating a new grants programme with objectives closely aligned to the CPF scheme.	£148,000	£148,000	£148,000	N/A	**TBD –** whilst the Foreshore Trust scheme is developed, the council will keep the impact of this decision under review.
7. Land sales - Interest generated by proceeds from land sales – revised The impact of the pandemic has meant that the interest generated from sales has to be revised to later years.	£75,000	£150,000	£150,000	N/A	**Low**
PIER Savings identified for 2020/21 Budget Process					
8. Tourism/Marketing - Revised operations and location of TIC TIC services will be incorporated into a new Employment, Events and Tourist Advice Hub – located in the local college to support the post COVID economic recovery, improve the visitor experience, provide real world work experience for	£43,000	£43,000	£43,000	1.29 FTE	**Low**

students and increase footfall into the town centre. The project has been funded by the Town Deal programme as an accelerated project in recognition of the combined benefits it will offer. The council will continue to provide oversight at a strategic and operational level and will fund an officer from April to October.					
9. Parking Services - Reduction in leased Vehicles	£9,000	£9,000	£9,000	N/A	**Low**
10. Local Licensing Savings from supplies	£11,000	£11,000	£11,000	N/A	**Low**
11. Contact Centre – Staffing Following further channel shift and increased on-line services delete a vacant post	£30,000	£30,000	£30,000	1 FTE (vacant)	**Low -** adequate staffing levels remain and will be prioritised to support most vulnerable residents, as well as via the community hub.
12. Rental Space - Muriel Matters House	£21,000	£29,000	£29,000	N/A	**Low**
Growth Items					
13. Housing Temporary Accommodation Additional costs of funding temporary accommodation	£1.147m	£1.147m	£1.147m	N/A	**Low**
14. Housing Renewal /Enforcement - Additional Post from October 2021 The council is still awaiting a response from Government to know if our proposed new Selective Licensing Scheme will be approved. If the scheme is not authorized, the external funding currently supporting staff working in this area will be exhausted by October 2021, and HBC will require a further resource to meet its minimum level of statutory responsibilities.	£20,000	£40,000	£40,000	+ 1 FTE	**Low**
15. Hastings Country Park - Visitor Centre operating costs A sum is being included in the budget for operating costs (£20k p.a.) and potential additional borrowing costs (£20k p.a.) However, work is continuing to seek external grant funding to cover many of these.	£40,000	£40,000	£40,000	N/A	**Low**

16. Emergency Planning - increased use of ESCC resources The council's emergency planning services is provided by East Sussex Council. The pandemic has demonstrated that this is a cost-effective and efficient way to secure this support, and has been essential over the last period. The increased cost enables the council to have greater access to the level of resources we currently require.	£13,000	£13,000	£13,000	N/A	**Low**
17. Communications & Marketing - Additional 0.5FTE The range of communications tools used to inform and engage local people has increased during the last year, this increase takes us from 1.5FTE to 2 FTE communications officers, both of whom are essential to facilitate this work.	£13,000	£13,000	£13,000	+ 0.5FTE	**Low**
18. Public Conveniences - Enhanced Cleaning The additional costs of enhanced cleaning regimes for our public conveniences are anticipated to continue into 2021/22.	£46,000	-	-	N/A	**Low**
19. Transformation Team The planned programme of digital transformation has been delayed whilst the team have facilitated the council's work to meet new demands arising from the pandemic (community hub, business grants, licensing etc.) The programme is now expected to be completed during 2021/22, and the 2 FTE posts will be retained for a further year.	£80,000	0	0	N/A existing posts retained.	**Low**

Appendix L

Land and Property Disposal Programme

	Estimated Receipts £
2019/20	
Former Bathing Pool site	
Link Road CPO land	
Plot D3 Whitworth Road	
Upper Wilting Farm Shop	
Other	
Less cost of disposal	
Sale of Ex Council Houses	
	17,802
2020/21	
Mayfield E	
Harrow Lane Playing Fields	
Land r/o Bexhill Road	
Land North of Bexhill Rd	
Land at Sandrock	
Less cost of disposal	
Sale of Ex Council Houses	
Other	
	30,000
2021/22	
Harrow Lane	
Mayfield E	
Bexhill Road South	
Whitworth Road	
Sale of Ex Council Houses	
Other	
	5,030,000
2022/23	
Sale of Ex Council Houses	
Other	
	30,000
2023/24	
Sale of Ex Council Houses	
Other	
	30,000
2024/25	
Sale of Ex Council Houses	
Other	
	30,000

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 2021/22 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 2021/22 is £7,003,754

3 That the following amounts be calculated for the year 2021/22 in accordance with Sections 31 to 36 of the Act:

(a)	84,675,377	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)	77,571,732	Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act
(c)	7,103,645	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)	276.17	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)	276.17	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 2021/22 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	184.11	214.80	245.48	276.17	337.54	398.91	460.28	552.34
East Sussex County Council (Including Adult Social Care +2%)	1,029.36	1,200.92	1,372.48	1,544.04	1,887.16	2,230.28	2,573.40	3,088.08
East Sussex Fire Authority	64.95	75.78	86.61	97.43	119.08	140.73	162.39	194.86
Police and Crime Commissioner	143.27	167.15	191.03	214.91	262.67	310.43	358.18	429.82
Aggregate of Council Tax Requirements	1,421.69	1,658.65	1,895.60	2,132.55	2,606.45	3,080.35	3,554.25	4,265.10

6. The Council's basic amount of Council Tax for 2021/22 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 2021/22.

CORPORATE SERVICES AND GOVERNANCE

Appendix O

Reference NO.	2019-20 ACTUAL	SERVICE	2020-21 ORIGINAL BUDGET	2020-21 REVISED BUDGET	**2021-22 ESTIMATED OUTTURN**
	£	**SUMMARY OF REVENUE ESTIMATES**	**£**	**£**	**£**
CR1	177,423	20101 - Managing Director	179,560	215,820	**215,860**
CR2	326,263	20102 - Corp. Policy, Partnerships and Performance	269,230	267,980	**241,880**
CR3	211,254	20103 - Electoral Services	221,870	208,540	**229,930**
CR4	381,112	20104 - Estates Services	388,380	396,250	**394,640**
CR5	213,185	20105 - Building Surveyors	221,210	218,020	**228,020**
CR6	493,229	20106 - Legal Services	462,340	491,770	**522,220**
CR7	238,352	20107 / 20108 - Audit and Investigations Services	232,490	239,550	**243,840**
CR8	971,230	20109 - Accountancy Services	1,014,010	1,026,870	**1,018,630**
CR9	2,337,442	20110 - Revenues Services	2,384,900	2,366,720	**2,388,110**
CR10	586,965	20111 - People, Customer and Business Support	617,280	615,190	**625,670**
CR11	183,330	20112- Corporate Personnel Expenses	185,670	185,680	**185,680**
CR12	821,994	20113 - Contact Centre	856,270	763,060	**805,930**
CR13	286,402	20115 - Transformation Team	265,160	265,880	**262,000**
CR14	56,351	20116 - Admin Buildings - Town Hall	50,290	42,010	**40,460**
CR15	500,614	20117 - Admin Buildings - Muriel Matters House	486,760	392,810	**415,970**
CR16	47,384	20118- Admin Buildings - General Expenses	71,320	66,320	**66,320**
CR17	44,059	20119 - Admin Buildings - Corporate Archive / DSO Operational Building	57,270	44,560	**45,250**
CR18	1,311,229	20120 - Corporate Expenses	1,244,500	1,298,090	**1,254,500**
CR19	728,548	20121 - IT	714,920	714,510	**719,550**
CR20	339,534	20122 - IT Reserve / Hardware	310,940	243,440	**344,940**
CR21	46,525	20123 - Land & Property Systems-GIS	48,170	49,150	**50,060**
	(10,302,447)	Less recharges to other services	(10,282,540)	(10,282,530)	**(10,282,540)**
	(27)	Unallocated Balance	0	(170,310)	**16,920**
CR22	300,089	20124 - Corporate Management Expenses	575,430	575,430	**575,530**
CR23	740,911	20125 - Non Distributed Costs	820,000	820,000	**790,000**
CR24	1,561,764	20126 / 20127 / 20128 - Benefit Payments and	1,475,400	1,475,400	**1,475,400**
CR25	823,635	20129 - Council Tax and Business Rates Colle	613,820	613,820	**613,820**
CR26	(365,956)	20130 - Employment Areas	(363,900)	(363,900)	**(363,630)**
CR27	(1,291,809)	20131 - Factory Units	(1,324,650)	(1,022,180)	**(1,120,180)**
CR28	(2,739,913)	20132 - Farms and Other Properties	(3,265,520)	(3,028,870)	**(3,194,710)**
CR29	0	20133 - St Mary in the Castle	0	0	**0**
CR30	14,430	20135 - Other Expenditure	293,600	(854,130)	**431,620**
CR31	212,609	20136 / 20137 - Registration of Electors	213,220	213,370	**229,020**
CR32	880,867	20138 - Cost of Democracy	898,020	890,580	**886,750**
CR33	164,864	20139 / 20140 - Election Expenses	200,940	133,940	**200,940**
CR34	25,546	20144 - Local Strategic Partnership	21,080	21,080	**21,080**
CR35	20,228	20145 - Sustainable Energy & Development	16,690	16,690	**16,690**
CR36	8,515	20146 - Public Consultation	7,030	7,030	**7,030**
CR37	8,536	20148 - Shelters and Seats	18,250	27,390	**30,410**
CR38	6,992	20149 - Street Naming and Numbering	8,210	8,220	**8,230**
CR39	74,398	20150 - Decorative Lighting	87,870	109,870	**88,220**
CR40	(113)	20318 - Corporate Systems ERP	0	0	**0**
CR41	222,607	20151 / 20152 / 20155-61 - Foreshore Trust	0	0	**0**
CR42	93,486	20324 - Communications and Design	80,840	107,090	**94,420**
CR43	0	Covid - General Expenses	0	71,000	**0**
	761,661		376,330	(348,480)	**807,560**

OPERATIONAL SERVICES **Appendix O**

Reference NO.	2019-20 ACTUAL	SERVICE	2020-21 ORIGINAL BUDGET	2020-21 REVISED BUDGET	**2021-22 ESTIMATED OUTTURN**
	£	**SUMMARY OF REVENUE ESTIMATES**	**£**	**£**	**£**
OS1	982,139	20169 - Environmental Services Management & Administration	1,023,960	993,900	**997,020**
OS2	411,375	20170 - Amenities Administration	392,220	405,810	**419,230**
OS3	433,799	20316 - Waste Service - Management and Admin	465,010	487,220	**469,670**
OS4	801,227	20317 - Parking Service - Management and Admin	871,090	845,940	**861,640**
OS5	959,485	20172 - Administration - Housing	978,670	1,017,230	**985,220**
OS6	133,687	20173 - Local Land Planning Management & Admin	(45,450)	(43,940)	**(44,790)**
OS7	184,626	20174 - Director of Operational Services	189,010	100,980	**0**
OS8	290,808	20175 - Leisure Administration	283,930	442,350	**282,590**
OS9	223,969	20176 - Resort Services Management and Administration	161,150	161,240	**161,390**
OS10	548,899	20177 - Regeneration Administration Division	368,570	369,240	**369,190**
OS11	372,483	20178 - Communications & Marketing	353,420	361,550	**367,130**
	(5,342,439)	Less recharges to other services	(5,041,580)	(5,041,580)	**(4,852,570)**
	57	Unallocated Balance	0	99,940	**15,720**
OS12	50,009	20179 - Building Control	61,000	53,690	**63,350**
OS13	952,662	20180 - Development Control & Conservation	788,360	851,420	**791,670**
OS14	(114,509)	20181 - Local Land Charges Register	(103,230)	(116,490)	**(106,570)**
OS15	1,306,131	20182 - Homelessness	1,048,290	1,936,590	**2,194,798**
OS16	80,847	20207 - Rough Sleeper Prevention	0	6,310	**0**
OS17	0	20206 - Syrian Resettlement Programme	0	10	**0**
OS18	149,919	20184 - Social Lettings	68,350	103,390	**80,520**
OS19	108,890	20185 - Homelessness Strategy	123,750	106,530	**106,970**
OS20	79,939	20186 - Housing Register	86,080	79,580	**79,240**
OS21	23,217	20187 - Funded Deposits	0	0	**0**
OS22	38,355	20188 - Youth Homelessness	16,170	(6,520)	**18,950**
OS23	442,985	20191 - Housing Renewal	355,750	325,290	**410,540**
OS24	(96,371)	20193 - Rogue landlords	77,740	219,910	**33,300**
OS25	77,172	20195 - Selective licensing	127,180	339,760	**0**
OS26	(152,616)	20196 - Housing Licensing	32,230	(54,780)	**(1,150)**
OS27	23,561	20197 - Housing Solution Services	13,760	72,800	**9,430**
OS28	17	20199 - Coastal Space Enforcement Activities	0	0	**0**
OS29	15,600	20200 - Dangerous Structures	2,500	19,410	**2,500**
OS30	2,178	20322 - Housing Company	0	(2,180)	0
OS31	0	20334 - CHART - Live, Work, Thrive	0	0	0
OS32	88,957	20202 - Housing - NHS Clinical Commissioning Group CCG	0	0	**0**
OS33	(6,564)	20204 - Sustainable Housing in Inclusive Neighbourhoods	30,630	30,630	**0**
OS34	18,823	20205 - Climate Active Neighbourhoods	0	0	0
	3,089,200	**Housing and Built Environment**	2,728,560	3,965,350	**3,683,548**

OPERATIONAL SERVICES **Appendix O**

Reference NO.	2019-20 ACTUAL	SERVICE	2020-21 ORIGINAL BUDGET	2020-21 REVISED BUDGET	**2021-22 ESTIMATED OUTTURN**
	£	**SUMMARY OF REVENUE ESTIMATES**	**£**	**£**	**£**
OS35	325,132	20208 - Regeneration Activity	313,370	313,480	**316,540**
OS36	168,773	20209 - White Rock Area Development	101,750	122,540	**100,750**
OS37	291,919	20211 - Planning Policy	332,120	403,680	**352,340**
OS38	209,396	20212 - Cultural Activities	108,170	85,770	**107,660**
OS39	93,046	20214 - External Funding Initiatives	88,620	92,950	**88,480**
OS40	58,008	20215 - Community Cohesion	31,100	21,790	**31,100**
OS41	(23,066)	20216 - Fisheries Local Action Group (FLAG)	0	0	**0**
OS42	(319)	20326 - Hastings Fish Brand	0	0	**0**
OS43	21,253	20217 - Coastal Communities Fund	0	0	**0**
OS44	(15,777)	20269 - CHART CLLD - Connecting Hastings and Rother Together Community Led Local Development	(15,800)	(15,800)	**(15,800)**
OS45	26,988	20325 - DESTI Smart	0	0	**0**
OS46	276,316	20219 - Community Partnership	211,900	192,470	**0**
OS47	2,890	20220 - Older and Younger People	0	0	**0**
OS48	4,455	20221 - Youth Activities (Young Persons Council)	5,000	5,000	**5,000**
OS49	(172,917)	20166 - Towns Fund	0	59,910	**113,000**
OS50	120,095	20222 - 1066 Country Campaign	178,990	225,990	**179,300**
OS51	(2,990)	20223/ 20224 - Battle Marketing	0	2,990	**0**
OS52	135,028	20225 - Tourist Information Centre	115,510	124,630	**94,610**
OS53	1,200	20226 - Community Awareness	33,710	40,210	**33,710**
OS54	100,929	20228, 20229, 20230-20233, 20234-20235, 20237, 20238 - Raising the Profile of Hastings	74,720	77,330	**85,730**
OS55	5,444	20239 - Meteorological Expenses	820	1,400	**1,420**
OS56	32,244	20240 - Civic & Ceremonial Expenses	39,170	35,710	**38,070**
OS57	(18,361)	20241 - Filming	(4,000)	(10,000)	**(4,000)**
OS58	19,460	20242 - Coastal Protection	15,110	14,110	**15,110**
OS59	7,743	20243 - Navigational Aids	3,030	5,470	**3,030**
OS60	30,982	20244 - Env. Schemes Net Shops	24,420	12,760	**24,420**
OS61	(43,408)	20245 - Cliff Railways	(155,860)	144,840	**(147,420)**
OS62	(25,539)	20246/20247 - Castle and Caves	5,410	13,250	**(15,640)**
OS63	(165,090)	20248 - Chalets and Beach Huts	(245,410)	(249,100)	**(241,000)**
OS64	515,240	20249 - White Rock Theatre	484,294	474,590	**353,290**
OS65	151,685	20250 - Seafront	219,740	208,040	**215,970**
OS66	341,230	20251 - Museums	433,300	475,500	**439,580**
OS67	948	20256 - First World War Project	0	0	**0**
OS68	4,048	20257 - Sports Management	(3,370)	18,300	**(5,340)**
OS69	45,732	20258 - Falaise Fitness Centre	45,300	48,160	**45,300**
OS70	93,982	20259 - Sports Centres	182,240	539,590	**47,240**
OS71	199,993	20264 - Active Hastings & Play Development	187,580	213,370	**149,370**
OS72	68,834	20267 - Play Pathfinder	58,710	58,710	**48,710**
OS73	110,254	20321 - Renewable Energy Solutions	147,640	144,360	**151,070**
OS74	19,696	20327 - Museum & Schools Project	(10)	9,090	**0**
OS75	(18,000)	20273 - British BID DCLG - Loan Fund (Business Improvement District)	0	0	**0**
	2,997,476	**Regeneration and Culture**	3,017,274	3,911,090	**2,611,600**

OPERATIONAL SERVICES **Appendix O**

Reference NO.	2019-20 ACTUAL	SERVICE	2020-21 ORIGINAL BUDGET	2020-21 REVISED BUDGET	**2021-22 ESTIMATED OUTTURN**
	£	**SUMMARY OF REVENUE ESTIMATES**	**£**	**£**	**£**
OS76	285,280	20276 - Food Safety	309,330	309,290	**309,290**
OS77	191,272	20277 / 20278 - Health and Safety	190,590	194,910	**190,660**
OS78	344,179	20279 - Environmental Protection	379,330	381,640	**378,920**
OS79	49,888	20280 - Pest Control	46,760	41,170	**43,860**
OS80	(9,639)	20281 - Local Licensing	8,160	7,530	**(22,700)**
OS81	(64,179)	20283 - Liquor Licensing	(68,060)	(58,060)	**(68,060)**
OS82	(17,883)	20284 - Gambling Licensing	(23,710)	(16,210)	**(18,710)**
OS83	46,002	20285 - Stray Dog Contract	45,710	46,210	**46,210**
OS84	54,232	20286 - Emergency Planning	54,140	61,080	**67,680**
OS85	(1,534,837)	20287 / 20288 - Parking	(650,260)	(242,720)	**(626,790)**
OS86	287,511	20290 - Closed Circuit Television	76,020	76,020	**76,020**
OS87	(3,305)	20291 - ESCC Highway Tree Maintenance	(3,000)	(3,000)	**(3,000)**
OS88	1,182,894	20293 - Waste Collection	1,249,860	1,201,860	**1,221,990**
OS89	715,106	20294 - Recycling	964,970	941,900	**959,030**
OS90	408,310	20295 - Street Cleansing	60,780	60,780	**60,780**
OS91	953,551	20323 - Waste and Street Cleansing (DSO)	1,409,290	1,335,000	**1,377,280**
OS92	(129,553)	20296 - Greenwaste	(192,830)	(195,070)	**(252,420)**
OS93	314,675	20297 - Waste and Environmental Enforcement Team	285,480	336,980	**309,480**
OS94	24,768	20298 - Together Action	37,470	37,470	**37,470**
OS95	105,552	20299 - Safer Hastings Partnership (HBC)	100,880	100,810	**100,830**
OS96	(14,759)	20300 - Safer Hastings Partnership (External)	0	4,500	**0**
OS97	36,412	20302 - Watercourses	33,320	33,260	**33,370**
OS98	(713,651)	20303 / 20304 - Cemetery and Crematorium	(548,030)	(562,050)	**(596,630)**
OS99	25,912	20305 - Travellers Costs	25,760	25,600	**25,600**
OS100	35,038	20306 - Town Centre	38,890	38,900	**37,000**
OS101	26,916	20307 - Allotments	(4,850)	(4,390)	**(5,050)**
OS102	18,403	20308 - Ecology	18,610	18,610	**18,610**
OS103	158,903	20309 - Arboriculture	143,560	156,220	**143,730**
OS104	1,407,219	20310 - Parks and Gardens	1,396,620	1,375,560	**1,433,000**
OS105	115,745	20312 / 20313 - Hastings Country Park	171,600	139,240	**177,300**
OS106	14,671	20314 - Countryside Stewardship	24,000	24,000	**24,000**
OS107	365,941	20315 - Public Conveniences	297,920	343,180	**350,460**
OS108	0	20338 - Hastings Country Park Grant Funded Works	0	0	**0**
OS109	0	20339 - Hastings Country Park Visitor Centre	0	6,500	**20,000**
	4,680,573	**Environment and Place**	5,878,310	6,216,720	**5,849,210**
	10,767,306	**Operational Services Directorate Total**	**11,624,144**	**14,193,100**	**12,160,078**

Appendix P

CAPITAL PROGRAMME SUMMARY

		Original 2020/21 £'000	Revised 2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	Subseq. Years £'000	Total over Prog Period £'000
Net cost by Service								
Corporate Resources		13,379	6,053	11,693	311	0	2	18,059
Operational Services		3,557	3,219	1,088	9,995	120	2,082	16,504
		16,936	**9,272**	**12,781**	**10,306**	**120**	**2,084**	**34,563**
Net cost by Status								
Committed Schemes	c	3,006	7,277	9,797	8,190	120	1,642	27,026
Uncommitted Schemes	u	8,650	0	0	2,116	0	0	2,116
New Schemes	n	5,280	1,995	2,984	0	0	442	5,421
		16,936	**9,272**	**12,781**	**10,306**	**120**	**2,084**	**34,563**
Gross cost of schemes analysed by service								
Corporate Resources		14,179	6,053	13,243	311	0	2	19,609
Operational Services		11,921	7,830	9,220	11,834	1,959	4,253	35,096
		26,100	**13,883**	**22,463**	**12,145**	**1,959**	**4,255**	**54,705**

CORPORATE RESOURCES - CAPITAL PROGRAMME

Appendix P (continued)

Scheme Ref.	Scheme		Class	Total Gross Cost	Total Net Cost	Profile of Council Net Cost: Before 31.3.20	2020/21	Revised 2020/21	2021/22	2022/23	2023/24	Subsequent Years
				£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CR-06	Sandrock Park - Land Purchase	*	C	23	23	0	0	0	0	23	0	0
CR-16	New ERP system	*	C	1,019	540	538	0	0	0	0	0	2
CR-19	Conversion of 12/13 York Buildings	*	C	1,011	1,011	166	164	666	179	0	0	0
CR-22	Priory Meadow Contribution to Capital Works	*	C	700	700	162	50	0	250	288	0	0
CR-23	Commercial Property Investments		U	8,650	8,650	0	8,650	0	0	0	0	0
CR-26	Churchfields Business Centre	*	N	4,500	2,950	90	2,465	41	2,819	0	0	0
CR-27	Development / Furbishment of Lacuna Place	*	C	9,612	9,612	9,265	350	159	188	0	0	0
CR-28	London Rd & Shepherd St	*	C	1,350	1,350	1,311	0	0	0	0	0	0
CR-29	Cornwallis Street Development	*	C	7,000	7,000	54	500	0	6,946	0	0	0
CR-30	Harold Place Restaurant Development	*	C	1,200	1,200	6	1,100	23	1,171	0	0	0
CR-32	Development of 311-323 Bexhill Rd (Aldi & Others)	*	C	9,051	9,051	3,625	0	5,064	0	0	0	0
CR-33	Castleham Car Park Resurfacing	*	N	100	100	0	100	100	0	0	0	0
CR-34	Castleham Industrial Units	*	N	140	140	0	0	0	140	0	0	0
	Schemes Already Committed		C	30,966	30,487	15,127	2,164	5,912	8,734	311	0	2
	Schemes Uncommitted		U	8,650	8,650	0	8,650	0	0	0	0	0
	New Schemes		N	4,740	3,190	90	2,565	141	2,959	0	0	0
	No further approval required	*										
Total Capital Expenditure				44,356	42,327	15,217	13,379	6,053	11,693	311	0	2

		Total Budget £'000	Before 31.3.20 £'000	20/21 £'000	Revised 20/21 £'000	21/22 £'000	22/23 £'000	23/24 £'000	Subsequent Years £'000
CR-06 71215	**Sandrock Park - Land Purchase**								
	The purchase of land at Sandrock Park								
	Funding Source								
	Council	23	0	0	0	0	23	0	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	23	0	0	0	0	23	0	0
CR-16 71224	**New ERP system**								
	Purchase and development of new Enterprise Resource Planning system								
	Funding Source								
	Council	540	538	0	0	0	0	0	2
	Other	479	479	0	0	0	0	0	0
	Total Funding	1,019	1,017	0	0	0	0	0	2
CR-19 71253	**Conversion of 12/13 York Buildings**								
	Conversion of the upper floors of this grade 2 listed building to six Flats								
	Funding Source								
	Council	1,011	166	164	666	179	0	0	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	1,011	166	164	666	179	0	0	0
CR-22 71259	**Priory Meadow Contribution to Capital Works**								
	Contribution to ensure continuing rental income								
	Funding Source								
	Council	700	162	50	0	250	288	0	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	700	162	50	0	250	288	0	0
CR-23 71260	**Commercial Property Investments**								
	Acquisition of Commercial Property (General)								
	Funding Source								
	Council	8,650	0	8,650	0	0	0	0	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	8,650	0	8,650	0	0	0	0	0
CR-32 71261	**Development of 311-323 Bexhill Rd (Aldi & Others)**								
	Development of Commercial Property - 311-323 Bexhill Road (Aldi & Others)								
	Funding Source								
	Council	9,051	3,625	0	5,064	0	0	0	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	9,051	3,625	0	5,064	0	0	0	0
CR-26 71272	**Churchfields Business Centre**								
	Sidney Little road Business Incubator Hub								
	Funding Source								
	Council	2,950	90	2,465	41	2,819	0	0	0
	Other - LGF funding £500k & CHART £300k, Towns Fund £750k	1,550	0	800	0	1,550	0	0	0
	Total Funding	4,500	90	3,265	41	4,369	0	0	0

			Total Budget £'000	Before 31.3.20 £'000	20/21 £'000	Revised 20/21 £'000	21/22 £'000	22/23 £'000	23/24 £'000	Subsequent Years £'000
CR-27 71273	**Development / Furbishment of Lacuna Place**									
	Office building with ground floor retail accommodation totalling 39,696 Sq.ft.									
	Funding Source									
	Council		9,612	9,265	350	159	188	0	0	0
	Other		0	0	0	0	0	0	0	0
	Total Funding		9,612	9,265	350	159	188	0	0	0
CR-28 71274	**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	1,311	0	0	0	0	0	0
	Other		0	0	0	0	0	0	0	0
	Total Funding		1,350	1,311	0	0	0	0	0	0
CR-29 71275	**Cornwallis Street Development**									
	Redevelopment of Cornwallis Street Car Park for Hotel									
	Funding Source									
	Council	c	7,000	54	500	0	6,946	0	0	0
	Other		0	0	0	0	0	0	0	0
	Total Funding		7,000	54	500	0	6,946	0	0	0
CR-30 71276	**Harold Place Restaurant Development**									
	Redevelopment of Harold Place for Restaurant use									
	Funding Source									
	Council	c	1,200	6	1,100	23	1,171	0	0	0
	Other		0	0	0	0	0	0	0	0
	Total Funding		1,200	6	1,100	23	1,171	0	0	0
CR-33 71281	**Castleham Car Park Resurfacing**									
	Resurface Car Park									
	Funding Source									
	Council	c	100	0	100	100	0	0	0	0
	Other		0	0	0	0	0	0	0	0
	Total Funding		100	0	100	100	0	0	0	0
CR-34 71285	**Castleham Industrial Units**									
	Over-Roofing Units 6,7,8 & 9/10									
	Funding Source									
	Council	c	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

OPERATIONAL SERVICES - CAPITAL PROGRAMME

Appendix P (continued)

Scheme Ref.	Scheme		Class	Total Gross Cost	Total Net Cost	Profile of Council Net Cost: Before 31.3.20	2020/21	Revised 2020/21	2021/22	2022/23	2023/24	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	8,248	0	0	0	0	0	0	0	0
H15	Empty Homes Strategy - CPO	*	c	250	250	100	50	0	50	50	50	0
OS-05	Purchase of Temporary Homelessness Accommodation	*	n	6,086	5,766	4,011	2,575	1,313	0	0	0	442
RP04	Restoration of Pelham Crescent/ Pelham Arcade	*	c	756	359	286	30	9	34	0	0	30
RP16	Road at Pelham Arcade	*	c	125	75	11	64	30	34	0	0	0
RP11	Groyne Refurbishment	*	c	175	175	0	35	0	70	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	50	31	0	0	0
ES32	Country Park - Interpretive Centre	*	c	1,111	648	0	0	648	0	0	0	0
ES37	Playgrounds Upgrade Programme	*	c	302	283	128	38	38	79	38	0	0
OS 28	Hastings Housing Company		c	9,309	9,309	5,428	0	0	0	3,881	0	0
OS 26	DSO - Waste and Cleansing service - Vehicles	*	c	780	780	771	0	0	0	0	0	0
OS 27	DSO Waste and Cleansing service - Depot Works & Equipm	*	c	331	331	133	0	4	0	0	0	0
OS06	Energy - Solar Panels		c	1,700	1,700	62	0	0	200	1,438	0	0
OS10	Energy - Ground Mounted Solar		c	2,184	2,184	0	200	0	284	1,900	0	0
OS07	Energy Generation - Unallocated		u	2,116	2,116	0	0	0	0	2,116	0	0
OS4	Buckshole Reservoir	*	c	837	837	18	160	192	160	467	0	0
OS12	Priory Street Multi Storey Car Park	*	c	1,520	1,520	0	0	145	0	0	0	1,400
OS13	Lower Bexhill Road	*	c	7,040	140	0	35	0	35	70	35	0
OS14	Electric Vehicles	*	c	468	468	0	172	207	86	0	0	175
OS15	Electric Vehicle Infrastructure	*	c	8	8	2	8	12	0	0	0	0
OS16	Priory Street Works	*	n	140	140	0	140	115	25	0	0	0
OS-30	Next Steps Accommodation Pathway	*	n	1,855	426	0	0	426	0	0	0	0
OS29	S151 Towns Fund Capital	*	n	1,000	0	0	0	0	0	0	0	0
	Schemes Already Committed		c	38,696	19,266	7,027	842	1,365	1,063	7,879	120	1,640
	Schemes Uncommitted		u	2,116	2,116	0	0	0	0	2,116	0	0
	New Schemes		n	9,081	6,332	4,011	2,715	1,854	25	0	0	442
	No further approval required											
Total Capital Expenditure				49,893	27,714	11,038	3,557	3,219	1,088	9,995	120	2,082

		Total Budget £'000	Before 31.3.20 £'000	20/21 £'000	Revised 20/21 £'000	21/22 £'000	22/23 £'000	23/24 £'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	27	0	27	27	27	39
	Total Funding	147	27	27	0	27	27	27	39
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	8,248	0	1,812	1,000	1,812	1,812	1,812	1,812
	Total Funding	8,248	0	1,812	1,000	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	50	0	50	50	50	0
	Government Grant	0	0	0	0	0	0	0	0
	Total Funding	250	100	50	0	50	50	50	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	4,011	2,575	1,313	0	0	0	442
	Government Grant / S106	320	0	0	0	0	0	0	320
	Total Funding	6,086	4,011	2,575	1,313	0	0	0	762
OS-30 71284	**Next Steps Accommodation Pathway**								
	Next Steps Accommodation Pathway								
	Funding Source								
	Council	426	0	0	426	0	0	0	0
	Government Grant (plus £316k S106)	1,429	0	0	1,429	0	0	0	0
	Total Funding	1,855	0	0	1,855	0	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	30	9	34	0	0	30
	Historic England(English Heritage) £280K Council reserves £117K	397	293	0	0	104	0	0	0
	Total Funding	756	579	30	9	138	0	0	30
RP16 71232	**Road at Pelham Arcade**								
	Road above Pelham Arcade								
	Funding Source								
	Council	75	11	64	30	34	0	0	0
	Other- Freeholder Contributions	50	0	50	0	50	0	0	0
	Total Funding	125	11	114	30	84	0	0	0

		Total Budget £'000	Before 31.3.20 £'000	20/21 £'000	Revised 20/21 £'000	21/22 £'000	22/23 £'000	23/24 £'000	Subsequent Years £'000
RP11 71240	**Groyne Refurbishment**								
	To maintain Beach and Groynes								
	Funding Source								
	Council	175	0	35	0	70	35	35	35
	Other	0	0	0	0	0	0	0	0
	Total Funding	175	0	35	0	70	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	0	107	320	0	0	0
	Total Funding	2,995	2,538	0	137	320	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	0	0	150	0	0	0
	Total Funding	150	0	0	0	150	0	0	0
RP09 71244	**Public Realm**								
	Improvement & Refurbishment of public realm assets								
	Funding Source								
	Council	169	88	50	50	31	0	0	0
	Other -Coastal Communities Fund revenue	91	91	0	0	0	0	0	0
	Total Funding	260	179	50	50	31	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	648	0		648	0	0	0	0
	Other - European Funding 60%	463	0	463	463	0	0	0	0
	Total Funding	1,111	0	463	1,111	0	0	0	0

		Total Budget £'000	Before 31.3.20 £'000	20/21 £'000	Revised 20/21 £'000	21/22 £'000	22/23 £'000	23/24 £'000	Subsequent Years £'000
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	38	38	79	38	0	0
	Other S106	19	0	12	12	7	0	0	0
	Total Funding	302	128	50	50	86	38	0	0
OS 28 71254	**Hastings Housing Company**								
	Funding Source								
	Council	9,309	5,428	0	0	0	3,881	0	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	9,309	5,428	0	0	0	3,881	0	0
OS 26 71255	**DSO - Waste and Cleansing service - Vehicles**								
	Funding Source								
	Council	780	771	0	0	0	0	0	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	780	771	0	0	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	133	0	4	0	0	0	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	331	133	0	4	0	0	0	0
OS06 71256	**Energy - Solar Panels**								
	Solar Panels on Council Owned Land / Buildings								
	Funding Source								
	Council	1,700	62	0	0	200	1,438	0	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	1,700	62	0	0	200	1,438	0	0
OS10 71269	**Energy - Ground Mounted Solar**								
	Ground Mounted Solar								
	Funding Source								
	Council	2,184	0	200	0	284	1,900	0	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	2,184	0	200	0	284	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

		Total Budget £'000	Before 31.3.20 £'000	20/21 £'000	Revised 20/21 £'000	21/22 £'000	22/23 £'000	23/24 £'000	Subsequent Years £'000
OS4	**Buckshole Reservoir**								
	Statutory Protection Works								
71258									
	Spillway, drawdown works, signage & Contract Works								
	Council	837	18	160	192	160	467	0	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	837	18	160	192	160	467	0	0
OS12	**Priory Street Multi Storey Car Park**								
71265									
	Car Park Improvements - Concrete Repairs								
	Funding Source								
	Council	1,520	0	0	145	0	0	0	1,400
	Other	0	0	0	0	0	0	0	0
	Total Funding	1,520	0	0	145	0	0	0	1,400
OS13	**Lower Bexhill Road**								
71271									
	Housing Development								
	Funding Source								
	Council	140	0	35	0	35	70	35	0
	Other	6,900	638	6,000	600	5,662	0	0	0
	Total Funding	7,040	638	6,035	600	5,697	70	35	0
OS14	**Electric Vehicles**								
71278									
	Acquisition of Electric Vehicles								
	Funding Source								
	Council	468	0	172	207	86	0	0	175
	Other	0	0	0	0	0	0	0	0
	Total Funding	468	0	172	207	86	0	0	175
OS15	**Electric Vehicle Infrastructure**								
71279									
	Electric Vehicle Charging points, Load loggers, remedial works								
	Funding Source								
	Council	8	2	8	12	0	0	0	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	8	2	8	12	0	0	0	0
OS16	**Priory Street Works**								
71280									
	LED Lighting replacement, rewiring & automated gate control								
	Funding Source								
	Council	140	0	140	115	25	0	0	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	140	0	140	115	25	0	0	0
OS29	**S151 Towns Fund Capital**								
71282									
	Towns Fund Capital (Accelerated)								
	Funding Source								
	Council	0	0	0	0	0	0	0	0
	Other	1,000	0	0	1,000	0	0	0	0
	Total Funding	1,000	0	0	1,000	0	0	0	0

Agenda Item 6

Report To:	**Cabinet**
Date of Meeting:	**8 February 2021**
Report Title:	**Treasury Management, Annual Investment Strategy and Capital Strategy 2021/22**
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.

The Council is expected to have some £64.69 million of debt (as at 31 March 2021), and investments which can fluctuate between £15m and £30m in the year. The level of debt is set to increase to some £92m by 2022/23.

Recommendation(s)

Cabinet recommend to Budget 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 2021/22 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.**

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 very 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.

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 a similar report and the strategies at its meeting on the 21 January 2021 and after careful consideration resolved to recommend the policies and strategies to Cabinet and 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.

Capital Strategy

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

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

19. 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.

20. 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.

21. 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.

22. 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.

23. 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.

24. 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

25. 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 eight years as and when these have been further developed by its advisers.

26. 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.

27. 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.

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

29. The additional risks that the Council has taken 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, pandemics 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.

30. 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 Treasury Services) ratings advice.

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

Economic/Financial Implications

32. The Council generally has investments in the year of between £15 million and £30 million at any one time and is estimated to have longer term borrowings approaching £65m by the end of March 2021 (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

33. 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.

34. 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.

35. 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.

36. 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
Arrange Training for members/ officers	Year End & Mid-Year Review Report	July 2021	Chief Finance Officer

Wards Affected

None

Policy Implications

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 8 February 2021

Officer to Contact

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Treasury Management Strategy (TMS) for 2021/22

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 2021/22 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.

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 the last 12 months in respect of the Capital programme. The level of borrowing has risen but is lower than forecast as a result of covid-19 and has remained within the operational and authorised boundaries.

The Capital expenditure plans of the Council are expected to involve more new borrowing again in 2021/22 and the years ahead. The borrowing limits proposed in the strategy are those previously agreed when determining the budget for 2020/21.

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 – to cover potential short term cash deficits. Such monies cannot be borrowed from the Public Works Loan Board, and will be financed from the market or where there are revenue loans made e.g. to the housing company then 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 uncertain over the next few years as the bank base rate is very low and economic environment uncertain. The overall cash returns are expected to decrease as the Council's reserves decline.

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 further potential calls on reserves..

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 2021/22 TO 2023/24

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 2020/21 £'000s	**2021/22 £'000s**	**2022/23 £'000s**	**2023/24 £'000s**
Gross Capital Expenditure	13,883	22,463	12,145	1,959
Net Capital Expenditure	9,272	12,781	10,306	120
Financing from own resources	4	125	216	120
Borrowing Requirement	9,268	12,656	10,090	0

In terms of **net cost**, the **2020/21** programme has been revised to £9,272,000 from £16,936,000. The **2021/22** programme amounts to £12,781,000 net of grants and contributions (£22,463,000 Gross).

Capital Expenditure – Financing

12. 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.

13. The larger schemes in the capital programme which are expected to require financing in **2021/22** from borrowing are:-

- Castleham Industrial Units – roofing (£140k)
- Cornwallis Street Development (£6.946m in 21/22 or 22/23)
- Churchfields Business centre (£4.369m in 21/22)
- Buckshole Reservoir (£160k in 21/22)
- Energy projects (£484k in 21/22)
- Harold Place at £1.2m
- Lacuna Place (£188k)

- York Buildings (£179k)

Impact on the prudential indicators

14. 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	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000
Debt	95,000	110,000	110,000	110,000	110,000
Other long term liabilities	5,000	5,000	5,000	5,000	5,000
TOTAL	100,000	115,000	115,000	115,000	115,000

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

Operational Boundary	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000
Debt	85,000	105,000	105,000	105,000	105,000
Other long term liabilities	5,000	5,000	5,000	5,000	5,000
TOTAL	90,000	110,000	110,000	110,000	110,000

16. 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’.

17. 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).

18. 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.

19. 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.

20. There are no recommendations to change thye limits for 2021/22 given the current Capital programme.

PROSPECTS FOR INTEREST RATES

21. 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.

The following table provides an overview (please also see Appendix 2).

Interest Rate Forecasts								
Bank Rate	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22
Link	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%
Cap Econ	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%
5Y PWLB RATE								
Link	0.80%	0.80%	0.80%	0.80%	0.90%	0.90%	0.90%	0.90%
Cap Econ	0.95%	0.95%	0.95%	0.95%	0.95%	0.95%	0.95%	0.95%
10Y PWLB RATE								
Link	1.10%	1.10%	1.10%	1.10%	1.20%	1.20%	1.30%	1.30%
Cap Econ	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%
25Y PWLB RATE								
Link	1.50%	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%
Cap Econ	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%
50Y PWLB RATE								
Link	1.30%	1.40%	1.40%	1.40%	1.40%	1.50%	1.50%	1.50%
Cap Econ	1.70%	1.70%	1.70%	1.70%	1.70%	1.70%	1.70%	1.70%

22. 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 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.

23. Whilst substantial growth is expected in the economy in at least the latter parts of 2021/22 this is from the low comparative base of 2020/21 and it will take some years potentially for the economy to recover to pre-covid levels. Unemployment levels of 4.9% (for the 3 months to October 2020) are expected to increase substantially, estimates vary from between 7.5% and 9%) should the furlough scheme end in April 2021.

    An economic review from the Council's treasury advisors is included in Appendix 3. Such forecasts are being kept under regular review.

BORROWING STRATEGY

24. 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

25. The Council's forecast debt position for 31 March 2021, if no further borrowing is taken for the rest of the financial year, as at 4 January 2021, amounted to £64.69m (See Table below).

Debt	1 April 2020 Principal	Start Date	Maturity Date	31 March 2021 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)	£185,915	21/03/2016	20/03/2026	£156,196	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)	£7,002,787	01/06/2017	01/06/2057	£6,889,020	2.53%
PWLB (Annuity)	£8,111,852	22/11/2017	22/11/2057	£7,987,864	2.72%
PWLB	£2,000,000	12/12/2018	12/06/2028	£2,000,000	1.98%
PWLB (Annuity)	£3,941,522	13/12/2018	13/12/2058	£3,881,544	2.55%
PWLB (Annuity)	£2,463,534	31/01/2019	31/01/2059	£2,426,128	2.56%
PWLB (Annuity)	£4,365,748	31/01/2019	31/01/2069	£4,320,356	2.56%
PWLB (Annuity)	£9,262,267	20/03/2019	20/03/2059	£9,121,014	2.54%
PWLB (Annuity)	£4,770,452	02/09/2019	02/09/2069	£4,710,543	1.83%
Total Debt	**£65,301,339**			**£64,689,926**	**2.83%**

26. The Council has loaned money to other organisations. As at 31 December 2020 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	£156,196	Annuity
The Source	2.43%	17/12/2015	16/12/2024	£13,254	Annuity
			Total	**£1,957,685**	

27. 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.

28. The above table excludes the loan to the Hastings Housing Company. As at 31 December 2020 the Capital loan was £5,489,398. The company has fully repaid the revenue loan.

Borrowing Limit – Capital Financing Requirement (CFR)

29. 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.

30. The Council has at the time of writing some £64.69m of PWLB debt. To borrow for the remainder of the 2020/21 capital programme i.e. up to the projected level of the CFR (£74.1m) it would need to borrow a further £ 9.4m by the end of March 2021. The Capital Financing Requirement has increased significantly over the last few years. It is expected to reach some £93.3m by 2022/23 (based on the capital programme).

31. 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 2020/21 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.

32. 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.

33. 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).

34. The Council had achieved a near fully funded position at the start of this year which put the Council in a good position when the pandemic hit. 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 had been 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.

35. 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 and thus there is a stronger case now to not borrow externally until we really have to i.e. temporarily use existing resources. This was the strategy that was proposed for 2020/21 (as far as practical) and has saved on borrowing costs and assisted the Council's revenue account. There is however only a limited ability to do this given the depletion of Council reserves, and funds already invested for longer periods.

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 (Actual)	2020/21 (Rev Est)	2021/22 (Est)	2022/23 (Est)	2023/24 (Est)
	£'000s	£'000s	£'000s	£'000s	£'000s
CFR-Opening	58,094	66,373	74,142	85,075	93,292
Less MRP	(£1,176)	(£1,499)	(£1,723)	(£1,873)	(£2,533)
Plus, New Borrowing	9,455	9,268	12,656	10,090	0
CFR Closing	66,373	74,142	85,075	93,292	90,759

(Table excludes leasing element – which is very small)

36. 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

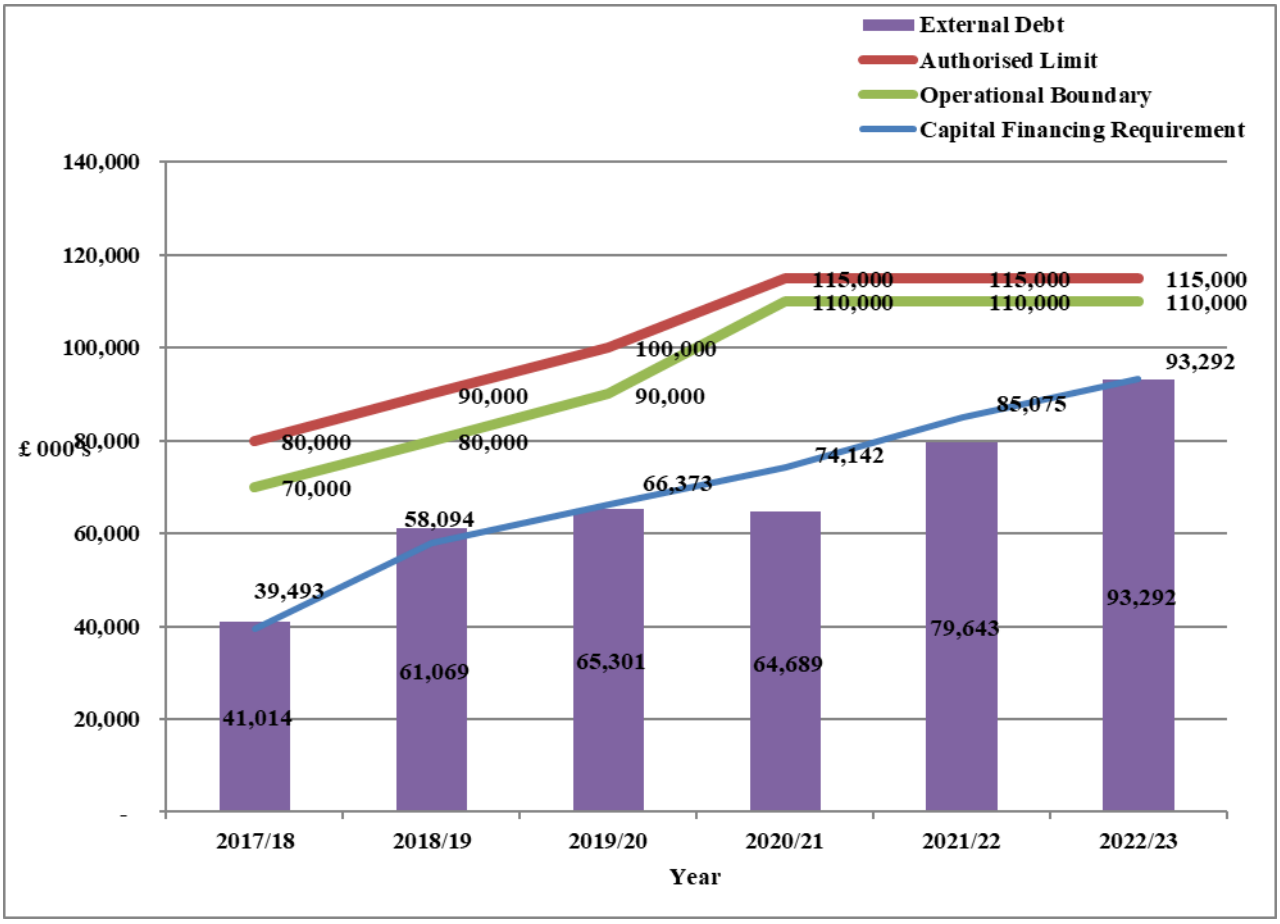
Internal Borrowing	**2019/20 Actual £000's**	**2020/21 Estimate £000's**	**2021/22 Estimate £000's**	**2022/23 Estimate £000's**
Capital Financing Requirement	66,373	74,142	85,075	93,292
External Borrowing	65,301	64,689	79,643	93,292
Net Internal Borrowing	**1,072**	**9,453**	**5,432**	**0**

37. The Council is now (4 January 2021) maintaining an under-borrowed position.

38. 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.

Table: External Debt, Authorised limits and CFR Projections



39. **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% p.a. (based on a maturity loan with a 2.5% interest rate) i.e. £50,000 p.a.

40. 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.

41. **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 2021/22 and thereafter – for as long as it remains available.

42. **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.

43. **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 at historically low levels. The timing of new borrowing is therefore important to minimise the overall costs to the Council.

44. 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

45. 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 - 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, and the need to have cash reserves during the pandemic (and not be forced to borrow at a time of high rates).

46. 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.

47. For the remainder of 2020/21 and 2021/22 the cheapest borrowing will be internal borrowing by running down cash balances and foregoing interest earned at historically low rates. However, the Council may not have sufficient balances to temporarily finance all the Capital expenditure in 20/21 and may need to borrow before March 2021. In view of the overall forecast for long term borrowing rates to increase in the medium term, consideration has been given to weighing the short term advantage of internal borrowing against the potential increase in long term costs as rates rise. As such additional new borrowing will continue to be taken when good opportunities arise in the interest of minimising the costs of debt over the long term.

48. 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.

49. 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

50. 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.

51. 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

52. 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.

53. 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.

54. 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)

55. 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.

56. 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).

57. The MRP for 2021/22 is estimated at £1,722,911 (the statutory charge to revenue that remains within the accounts).

ANNUAL INVESTMENT STRATEGY

Investment Policy

58. The Council's investment policy has regard to the MHCLG'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.

59. 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.

60. 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.

61. 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.

62. 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.

63. 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.

64. 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

65. 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

66. 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.

67. 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

68. 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.

69. 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.

70. 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.

71. 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.

72. 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.

73. 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

74. 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.

75. As at 31 December 2020 the Council had balances amounting to £36,105,188. The monies held are significantly higher than would normally be expected and include monies that the Council is holding in respect of a number of grant schemes – some £6m of which is due to be repaid to government shortly.

76. Priority is given to security and liquidity of investments in order to reduce counterparty risk to the maximum possible extent. To this end at the start of the Covid-19 crisis special arrangements were made with the Council's bankers to be able to accommodate larger than normal balances and daily transaction amounts associated with the government's business grant schemes. The Council is again in the position to ensure that its cash balances are spread across numerous counterparties.

77. The Council has had various investment 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 Link Treasury 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.

78. The Eurozone and Brexit 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 was anticipated but the higher returns that were on offer are no longer there.

79. The pandemic has impacted on countries around the world and in turn on credit ratings. The Council follows the Credit ratings of Link Treasury services and the ratings now enable the Council to invest £5m with any one institution with a minimum short term rating of F (rather than F+), and a long term rating of A+ and above (Unchanged), supported by a red (6 month) rating. The changes are reflected in the updated Treasury Management Practices (updated as at 7 January 2021).

Investment Strategy – Property Fund

80. 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-20	Aug-20	Apr-20	Dec-19	Dec-18	Dec-17	Apr-17
Offer Price p	306.91	301.67	310.33	322.7	329.35	319.44	307.19
Net Asset Value p	287.5	282.6	290.71	302.3	308.53	299.24	287.77
Bid Price p	283.05	278.22	286.2	297.61	303.75	294.60	283.31
Dividend* on XD Date p	3.1	0	0	3.21	3.32	3.38	
Dividend* - Last 12 Months p	12.26	12.72	13.06	13.12	12.98	13.71	13.19
Dividend Yield on NAV %	4.27	4.5	4.49	4.34	4.21	4.58	4.58
Fund Size £m	1172.6	1152.4	1185.5	1200.1	1,099.0	930.8	710.2

81. The dividend yield is around 4.45% p.a. on the net asset value. Dividends for the first 3 quarters of 2020/21 amount to £62,789 (£63,783 at the same point last year). Full year dividends for 2020/21 are estimated at around £82,000 and a similar return is anticipated for 2021/22.

Table: CCLA - Property Fund Capital Value

Units (651,063)	Dec-20	Aug-20	Apr-20	Dec-19	Dec-18	Dec-17	Apr-17
Mid Market Price(£)	1,871,806.13	1,839,904	1,892,705	1,968,163	2,008,724.67	1,948,240.92	1,873,564.00
Bid Price (£)	1,842,833.82	1,811,387	1,863,342	1,937,629	1,977,603.86	1,918,031.60	1,844,526.59

82. The Capital value is similar to that of April 2017 when the original investment was made and continues to recover from the low point experienced in August 2020 following the impact of Covid-19. 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

83. 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 had recovered from the initial investment where charges are effectively deducted and was valued at £3,012,479 at the end of December 2019. In March 2020 the market value had fallen to £2.62m but continues to recover and is currently valued at £2.863m (95.45% of its original value). Dividend yield on price is 3.36% for December 2020 (3.15% December 2019). Dividends payable for the first 3 quarters of 2020/21 amount to £73,632. It should be remembered that this is a long term investment and prices can go up and down.

Investment Strategy – View on Interest Rates

84. Investment returns look set to stay flat for many months. However thereafter they could begin to increase if the economy shows signs of growth. The Council at this time needs access to its cash reserves and as such cannot afford to invest further longer term – until it achieves a balanced budget or has capital receipts.

Investment Return Expectations.

85. Bank Rate is forecast to stay low for the foreseeable future, with no increase potentially before 2024. However, the financial position can often change quickly, and the Council needs to be prepared for increases in rates as well as potentially negative interest rates.

86. 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.

Regeneration and Economic Development – Income Generation

87. The Council has remained keen to pursue capital schemes that also generate income. Substantial investments 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.

88. 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.

89. The income generation proposals relating to the Housing Company have required revenue loans to be provided – now repaid in full. Such funding was not available from the Public Works Loan Board and was therefore from existing Council reserves and balances. The rates of interest that are charged to the company 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

90. 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

91. 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.

92. **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.

93. **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.

94. 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.

95. 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

96. Please see Appendix 9.

Role of the Section 151 Officer

97. 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 2021/22

The Council implemented the new Minimum Revenue Provision (MRP) guidance in 2008/9 and will assess the MRP for 2021/22 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 2021/22 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 2021 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.

Where the Council generates additional income from capital Investments it 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 2020 – March 2024

Link Group Interest Rate View	9.11.20										(The Capital Economics forecasts were done 11.11.20)			
	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	1.80	1.80	1.80	1.80	1.80	1.90	1.90	1.90	1.90	1.90	2.00	2.00	2.00	2.00
10 yr PWLB	2.10	2.10	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30	2.30	2.30	2.30	2.30
25 yr PWLB	2.50	2.50	2.60	2.60	2.60	2.60	2.70	2.70	2.70	2.70	2.80	2.80	2.80	2.80
50 yr PWLB	2.30	2.30	2.40	2.40	2.40	2.40	2.50	2.50	2.50	2.50	2.60	2.60	2.60	2.60
Bank Rate														
Link	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Capital Economics	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	-	-	-	-	-
5yr PWLB Rate														
Link	1.80	1.80	1.80	1.80	1.80	1.90	1.90	1.90	1.90	1.90	2.00	2.00	2.00	2.00
Capital Economics	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.90	-	-	-	-	-
10yr PWLB Rate														
Link	2.10	2.10	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30	2.30	2.30	2.30	2.30
Capital Economics	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	-	-	-	-	-
25yr PWLB Rate														
Link	2.50	2.50	2.60	2.60	2.60	2.60	2.70	2.70	2.70	2.70	2.80	2.80	2.80	2.80
Capital Economics	2.80	2.80	2.80	2.80	2.80	2.80	2.80	2.80	2.80	-	-	-	-	-
50yr PWLB Rate														
Link	2.30	2.30	2.40	2.40	2.40	2.40	2.50	2.50	2.50	2.50	2.60	2.60	2.60	2.60
Capital Economics	2.70	2.70	2.70	2.70	2.70	2.70	2.70	2.70	2.70	-	-	-	-	-

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 Treasury Services)

ECONOMIC BACKGROUND

- **UK.** The Bank of England's Monetary Policy Committee has kept **Bank Rate** unchanged. However, it revised its economic forecasts to take account of a second national lockdown from 5th November to 2nd December which is obviously going to put back economic recovery and do further damage to the economy. It therefore decided to do a further tranche of **quantitative easing (QE) of £150bn**, to start in January when the current programme of £300bn of QE announced in March to June, runs out. It did this so that "announcing further asset purchases now should support the economy and help to ensure the unavoidable near-term slowdown in activity was not amplified by a tightening in monetary conditions that could slow the return of inflation to the target".
- Its forecasts appeared, at the time, to be rather optimistic in terms of three areas:
    - The economy would recover to reach its pre-pandemic level in Q1 2022
    - The Bank also expects there to be excess demand in the economy by Q4 2022.
    - CPI inflation is therefore projected to be a bit above its 2% target by the start of 2023 and the "inflation risks were judged to be balanced".
- Significantly, there was no mention of **negative interest rates** in the minutes or Monetary Policy Report, suggesting that the MPC remains some way from being persuaded of the case for such a policy, at least for the next 6 -12 months. However, rather than saying that it "stands ready to adjust monetary policy", the MPC this time said that it will take "whatever additional action was necessary to achieve its remit". The latter seems stronger and wider and may indicate the Bank's willingness to embrace new tools.
- One key addition to **the Bank's forward guidance** in August was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably". That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years' time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate. Our Bank Rate forecast currently shows no increase through to quarter 1 2024 but there could well be no increase during the next five years due to the slow rate of recovery of the economy and the need for the Government to see the burden of the elevated debt to GDP ratio falling significantly. **Inflation** is unlikely to pose a threat requiring increases in Bank Rate during this period as there is likely to be spare capacity in the economy for a considerable time. It is expected to briefly peak at around 2% towards the end of 2021, but this is a temporary short lived factor and so not a concern.
- However, the minutes did contain several references to **downside risks**. The MPC reiterated that the "recovery would take time, and the risks around the GDP projection were judged to be skewed to the downside". It also said "the risk of a more persistent period of elevated unemployment remained material". Downside risks could well include severe restrictions remaining in place in some form during the rest of December and most of January too. That could involve some or all of the lockdown being extended beyond 2nd December, a temporary relaxation of restrictions over Christmas, a resumption of the lockdown in January and lots of regions being subject

to Tier 3 restrictions when the lockdown ends. Hopefully, restrictions should progressively ease during the spring. It is only to be expected that some businesses that have barely survived the first lockdown, will fail to survive the second lockdown, especially those businesses that depend on a surge of business in the run up to Christmas each year. This will mean that there will be some level of further permanent loss of economic activity, although the extension of the furlough scheme to the end of 31st March will limit the degree of damage done.

- As for **upside risks**, we have been waiting expectantly for news that various **COVID19 vaccines** would be cleared as being safe and effective for administering to the general public. The Pfizer announcement on 9th November was very encouraging as its 90% effectiveness was much higher than the 50-60% rate of effectiveness of flu vaccines which might otherwise have been expected. However, their phase three trials are still only two-thirds complete. More data needs to be collected to make sure there are no serious side effects. We don't know exactly how long immunity will last or whether it is effective across all age groups. The Pfizer vaccine specifically also has demanding cold storage requirements of minus 70C that might make it more difficult to roll out. However, the logistics of production and deployment can surely be worked out over the next few months.

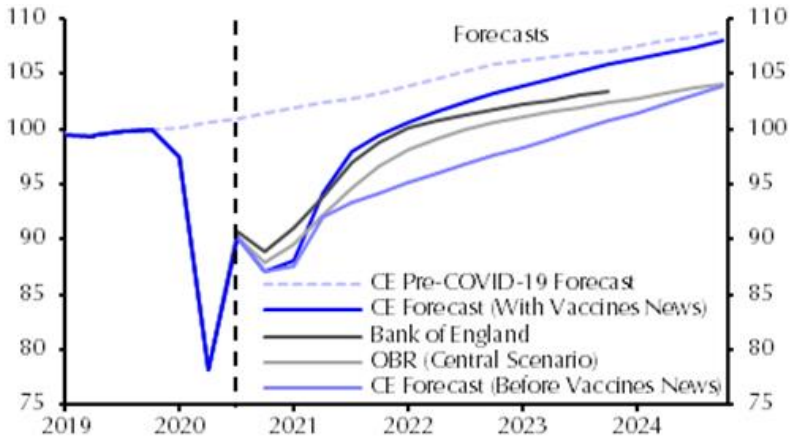
- However, there has been even further encouraging news since then with another two vaccines announcing high success rates. Together, these three announcements have enormously boosted confidence that **life could largely return to normal during the second half of 2021**, with activity in the still-depressed sectors like restaurants, travel and hotels returning to their pre-pandemic levels, which would help to bring the unemployment rate down. With the household saving rate currently being exceptionally high, there is plenty of pent-up demand and purchasing power stored up for these services. A comprehensive roll-out of vaccines might take into late 2021 to fully complete; but if these vaccines prove to be highly effective, then there is a possibility that restrictions could begin to be eased, possibly in Q2 2021, once vulnerable people and front-line workers had been vaccinated. At that point, there would be less reason to fear that hospitals could become overwhelmed any more. Effective vaccines would radically improve the economic outlook once they have been widely administered; it may allow GDP to rise to its pre-virus level a year earlier than otherwise and mean that the unemployment rate peaks at 7% next year instead of 9%. But while this would reduce the need for more QE and/or negative interest rates, increases in Bank Rate would still remain some years away. There is also a potential question as to whether the relatively optimistic outlook of the Monetary Policy Report was swayed by making positive assumptions around effective vaccines being available soon. It should also be borne in mind that as effective vaccines will take time to administer, economic news could well get worse before it starts getting better.

- **Public borrowing** is now forecast by the Office for Budget Responsibility (the OBR) to reach £394bn in the current financial year, the highest ever peace time deficit and equivalent to 19% of GDP. In normal times, such an increase in total gilt issuance would lead to a rise in gilt yields, and so PWLB rates. However, the QE done by the Bank of England has depressed gilt yields to historic low levels, (as has similarly occurred with QE and debt issued in the US, the EU and Japan). This means that new UK debt being issued, and this is being done across the whole yield curve in all maturities, is locking in those historic low levels through until maturity. In addition, the UK has one of the longest average maturities for its entire debt portfolio, of any country in the world. Overall, this means that the total interest bill paid by the

Government is manageable despite the huge increase in the total amount of debt. The OBR was also forecasting that the government will still be running a budget deficit of £102bn (3.9% of GDP) by 2025/26. However, initial impressions are that they have taken a pessimistic view of the impact that vaccines could make in the speed of economic recovery.

- Overall, **the pace of recovery** was not expected to be in the form of a rapid V shape, but a more elongated and prolonged one. The initial recovery was sharp but after a disappointing increase in GDP of only 2.1% in August, this left the economy still 9.2% smaller than in February; this suggested that the economic recovery was running out of steam after recovering 64% of its total fall during the crisis. The last three months of 2020 were originally expected to show zero growth due to the impact of widespread local lockdowns, consumers probably remaining cautious in spending, and uncertainty over the outcome of the UK/EU trade negotiations concluding at the end of the year also being a headwind. However, the second national lockdown starting on 5th November for one month is expected to depress GDP by 8% in November while the rebound in December is likely to be muted and vulnerable to the previously mentioned downside risks. It was expected that the second national lockdown would push back recovery of GDP to pre pandemic levels by six months and into sometime during 2023. However, the graph below shows what Capital Economics forecast will happen now that there is high confidence that successful vaccines will be widely administered in the UK in the first half of 2021; this would cause a much quicker recovery than in their previous forecasts.

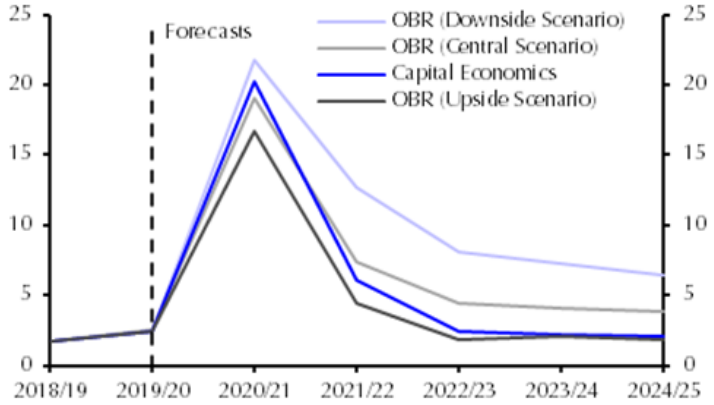
Chart: Level of real GDP (Q4 2019 = 100)



(if unable to print in colour…... the key describing each line in the above graph is in sequential order from top to bottom in parallel with the lines in the graph.

This recovery of growth which eliminates the effects of the pandemic by about the middle of the decade would have major repercussions for public finances as it would be consistent with the government deficit falling to 2% of GDP without any tax increases. This would be in line with the OBR's most optimistic forecast in the graph below, rather than their current central scenario which predicts a 4% deficit due to assuming much slower growth. However, Capital Economics forecasts assume that there is a reasonable Brexit deal and also that politicians do not raise taxes or embark on major austerity measures and so, (perversely!), depress economic growth and recovery.

Chart: Public Sector Net Borrowing (As a % of GDP)



(if unable to print in colour…... the key describing each line in the above graph is in sequential order from top to bottom in parallel with the lines in the graph.

- Capital Economics have not revised their forecasts for Bank Rate or gilt yields after this major revision of their forecasts for the speed of recovery of economic growth, as they are also forecasting that inflation is unlikely to be a significant threat and so gilt yields are unlikely to rise significantly from current levels.

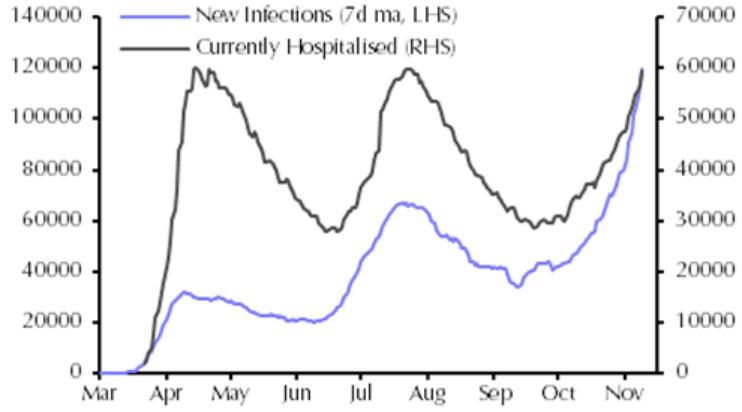
- There will still be some **painful longer term adjustments** as e.g. office space and travel by planes, trains and buses may not recover to their previous level of use for several years, or possibly ever, even if vaccines are fully successful in overcoming the current virus. There is also likely to be a reversal of globalisation as this crisis has exposed how vulnerable long-distance supply chains are. On the other hand, digital services are one area that has already seen huge growth.

- The **Financial Policy Committee** (FPC) report on 6th August revised down their expected credit losses for the banking sector to "somewhat less than £80bn". It stated that in its assessment "banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC's central projection". The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC's projection, with unemployment rising to above 15%.

US. The result of **the November elections** means that while the Democrats have gained the presidency and a majority in the House of Representatives, it looks as if the Republicans will retain their slim majority in the Senate. This means that the Democrats will not be able to do a massive fiscal stimulus, as they had been hoping to do after the elections, as they will have to get agreement from the Republicans. That would have resulted in another surge of debt issuance and could have put particular upward pressure on debt yields – which could then have also put upward pressure on gilt yields. On the other hand, equity prices leapt up on 9th November on the first news of a successful vaccine and have risen further during November as more vaccines announced successful results. This could cause a big shift in investor sentiment i.e. a swing to sell out of government debt to buy into equities which would normally be expected to cause debt prices to fall and yields to rise. However, the rise in yields has been quite muted so far and it is too early to say whether the Fed would feel it necessary to take action to suppress any further rise in debt yields. It is likely that the next two years, and possibly four years in the US, could be a political stalemate where neither party can do anything radical.

The economy had been recovering quite strongly from its contraction in 2020 of 10.2% due to the **pandemic** with GDP only 3.5% below its pre-pandemic level and the unemployment rate dropping below 7%. However, the rise in new cases during quarter 4, to the highest level since mid-August, suggests that the US could be in the early stages of a third wave. While the first wave in March and April was concentrated in the Northeast, and the second wave in the South and West, the latest wave has been driven by a growing outbreak in the Midwest. The latest upturn poses a threat that the recovery in the economy could stall. This is **the single biggest downside risk** to the shorter term outlook – a more widespread and severe wave of infections over the winter months, which is compounded by the impact of the regular flu season and, as a consequence, threatens to overwhelm health care facilities. Under those circumstances, states might feel it necessary to return to more draconian lockdowns.

COVID-19 New infections & hospitalisations



However, with the likelihood that highly effective vaccines are going to become progressively widely administered during 2021, this should mean that life will start to return to normal during quarter 2 of 2021. Consequently, there should be a sharp pick-up in growth during that quarter and a rapid return to the pre-pandemic level of growth by the end of the year.

After Chair Jerome Powell unveiled the **Fed's adoption of a flexible average inflation target** in his Jackson Hole speech in late August, the mid-September meeting of the Fed agreed by a majority to a toned down version of the new inflation target in his speech - that *"it would likely be appropriate to maintain the current target range until labour market conditions were judged to be consistent with the Committee's assessments of maximum employment and inflation had risen to 2% and was on track to moderately exceed 2% for some time."* This change was aimed to provide more stimulus for economic growth and higher levels of employment and to avoid the danger of getting caught in a deflationary "trap" like Japan. It is to be noted that inflation has actually been under-shooting the 2% target significantly for most of the last decade, (and this year), so financial markets took note that higher levels of inflation are likely to be in the pipeline; long-term bond yields duly rose after the meeting. The Fed also called on Congress to end its political disagreement over providing more support for the unemployed as there is a limit to what monetary policy can do compared to more directed central government fiscal policy. The FOMC's updated economic and rate projections in mid-September showed that officials expect to leave the fed funds rate at near-zero until at least end-2023 and probably for another year or two beyond that. There is now some expectation that where the Fed has

led in changing its inflation target, other major central banks will follow. The increase in tension over the last year between the US and China is likely to lead to a lack of momentum in progressing the initial positive moves to agree a phase one trade deal. The Fed's meeting on 5 November was unremarkable - but at a politically sensitive time around the elections.

EU. The economy was recovering well towards the end of Q2 and into Q3 after a sharp drop in GDP caused by the virus, (e.g. France 18.9%, Italy 17.6%). However, growth is likely to stagnate during Q4, and Q1 of 2021, as a second wave of the virus has affected many countries, and is likely to hit hardest those countries more dependent on tourism. The €750bn fiscal support package eventually agreed by the EU after prolonged disagreement between various countries, is unlikely to provide significant support, and quickly enough, to make an appreciable difference in the worst affected countries. With inflation expected to be unlikely to get much above 1% over the next two years, the ECB has been struggling to get inflation up to its 2% target. It is currently unlikely that it will cut its central rate even further into negative territory from -0.5%, although the ECB has stated that it retains this as a possible tool to use. It is therefore expected that it will have to provide more monetary policy support through more quantitative easing purchases of bonds in the absence of sufficient fiscal support from governments. The current PEPP scheme of €1,350bn of QE which started in March 2020 is providing protection to the sovereign bond yields of weaker countries like Italy. There is therefore unlikely to be a euro crisis while the ECB is able to maintain this level of support. However, the PEPP scheme is regarded as being a temporary measure during this crisis so it may need to be increased once the first PEPP runs out during early 2021. It could also decide to focus on using the Asset Purchase Programme to make more monthly purchases, rather than the PEPP scheme, and it does have other monetary policy options.

However, as in the UK and the US, the advent of highly effective vaccines will be a game changer, although growth will struggle during the closing and opening quarters of this year and next year respectively before it finally breaks through into strong growth in quarters 2 and 3. The ECB will now have to review whether more monetary support will be required to help recovery in the shorter term or to help individual countries more badly impacted by the pandemic.

China. After a concerted effort to get on top of the virus outbreak in Q1, economic recovery was strong in Q2 and then into Q3 and Q4; this has enabled China to recover all of the contraction in Q1. Policy makers have both quashed the virus and implemented a programme of monetary and fiscal support that has been particularly effective at stimulating short-term growth. At the same time, China's economy has benefited from the shift towards online spending by consumers in developed markets. These factors help to explain its comparative outperformance compared to western economies.

However, this was achieved by major central government funding of yet more infrastructure spending. After years of growth having been focused on this same area, any further spending in this area is likely to lead to increasingly weaker economic returns in the longer term. This could, therefore, lead to a further misallocation of resources which will weigh on growth in future years.

Japan. Japan's success in containing the virus without imposing draconian restrictions on activity should enable a faster return to pre-virus levels of output than in many major economies. While the second wave of the virus has been abating, the economy has been

continuing to recover at a reasonable pace from its earlier total contraction of 8.5% in GDP. However, there now appears to be the early stages of the start of a third wave. It has also been struggling to get out of a deflation trap for many years and to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. There has also been little progress on fundamental reform of the economy. The change of Prime Minister is not expected to result in any significant change in economic policy.

World growth. While Latin America and India have, until recently, been hotspots for virus infections, infection rates have begun to stabilise. World growth will be in recession this year. Inflation is unlikely to be a problem for some years due to the creation of excess production capacity and depressed demand caused by the coronavirus crisis.

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.

Summary

Central banks are, therefore, likely to support growth by maintaining loose monetary policy through keeping rates very low for longer. Governments could also help a quicker recovery by providing more fiscal support for their economies at a time when total debt is affordable due to the very low rates of interest. They will also need to avoid significant increases in taxation or austerity measures that depress demand in their economies.

If there is a huge surge in investor confidence as a result of successful vaccines which leads to a major switch out of government bonds into equities, which, in turn, causes government debt yields to rise, then there will be pressure on central banks to actively manage debt yields by further QE purchases of government debt; this would help to suppress the rise in debt yields and so keep the total interest bill on greatly expanded government debt portfolios within manageable parameters. It is also the main alternative to a programme of austerity.

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	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000
Authorised Limit for external debt					
borrowing	95,000	110,000	110,000	110,000	110,000
other long term liabilities	5,000	5,000	5,000	5,000	5,000
TOTAL	100,000	115,000	115,000	115,000	115,000
Operational Boundary for external debt					
borrowing	85,000	105,000	105,000	105,000	105,000
other long term liabilities	5,000	5,000	5,000	5,000	5,000
TOTAL	90,000	110,000	110,000	110,000	110,000

Interest Rate Exposures	2020/21	2021/22	2022/23
	Upper	Upper	Upper
Limits on fixed interest rates based on **net** debt	100%	100%	100%
Limits on variable interest rates based on **net** debt	100%	100%	100%
Limits on fixed interest rates:			
· Debt only	100%	100%	100%
· Investments only	100%	100%	100%
Limits on variable interest rates			
· Debt only	30%	30%	30%
· Investments only	100%	100%	100%

Maturity Structure of fixed interest rate borrowing 2021/22			
		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 2021/22			
		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	2019/20 Actual	2020/21 Original.Est	2020/21 Rev.Est	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Financing Costs	£'000	£'000	£'000	£'000	£'000	£'000
1. Interest Charged to General Fund	1,810	2,315	1,914	2,115	2,326	2,414
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	0
4. Interest and Investment Income	-580	-667	-551	-608	-671	-660
5. Amounts payable or receivable in respect of financial derivatives	-	-	-	-	-	-
6. MRP, VRP	1,176	1,499	1,499	1,723	1,873	2,533
7. Depreciation/Impairment that are charged to the amount to be met from government grants and local taxpayers	-	-	-	-	-	-
Total	2,406	3,147	2,862	3,230	3,528	4,287
Net Revenue Stream						
Amount to be met from government grants and local taxpayers	13,329	13,063	14,845	14,018	13,156	13,372
Ratio						
Financing Cost to Net Revenue Stream	**18%**	**24%**	**19%**	**23%**	**27%**	**32%**

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 had an income generation strategy that has resulted in increased Capital expenditure over the period 2017/18 to 2021/22. The above ratio does not take into account the income is being generated from the initiatives and commercial property acquisitions.

Other Prudential Indicators

Internal Borrowing and Gearing ratios for the authority are included in the Capital Strategy.

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 beyond 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 24.12.2020)

1. AAA
   - Australia
   - Denmark
   - Germany
   - Netherlands
   - Singapore
   - Sweden
   - Switzerland
   - U.S.A.

2. AA+
   - Finland
   - Canada

3. AA
   - Abu Dhabi (UAE)
   - France

4. AA-
   - Belgium
   - Qatar
   - U.K.

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 (2021/22)

Introduction

1. The CIPFA revised Prudential and Treasury Management Codes require 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 continuing to evolve 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 2021/22

10. The Council's Capital programme amounts to some £22.463m (£12.781m net of grants and contributions) in 2021/22. The major areas of expenditure include**:-**

(i) Buckshole Reservoir (£837,000 of which £160,000 is expected to be spent in 2021/22)
The January 2020 Cabinet approved works to improve the spillway design and to change the drawdown operation.

(ii) Energy Initiatives – Ground Mounted Solar & Solar Panels (£3.884m of which some £400,000 is expected to be spent in 2021/22)
The ground mounted solar project consists firstly of a number of feasibility reports. If feasibility studies are positive, then an investment of some £1.9m may result in 2022/23 providing cost savings and an income stream to the Council (£284,000 being spent in 2021/22).

There remains a sum of £1.638m earmarked currently for solar panels (£200,000 in 2021/22) and a further £2.116m remains unallocated for energy related projects. Any plans for spending these monies will need business cases along with separate Cabinet and Council approval.

(iii) Commercial Property – Lacuna Place (£347,000 of which £188,000 is expected to be spent in 2021/22)
In line with the strategic priority of economic and physical regeneration this funding will look to develop the ground floor of this Council owned property. The ground floor has remained vacant, with no main services and has been boarded up for many years. The works are intended to bring the property up to a lettable standard in order to enhance the area and provide new jobs as well as secure new income and business rates for the Council, which in turn will help to sustain services within the borough.

(iv) Electric Vehicles (£468,000 of which £86,000 is expected to be spent in 2021/22)
A number of vehicles have been identified as requiring replacement. The Council will seek to replace with electric vehicles. The replacement programme will be reviewed and updated on a regular basis (currently does not extend beyond 2021/22 requirements).

(v) Priory Meadow Contribution to capital works (£538,000 of which £250,000 may be spent in 2020/21)
The Council owns 10% of the Priory Meadow shopping centre. The money represents its share of any capital investment costs for 2021/22. 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 (£1,011,000 of which £179,000 is expected to be spent in 2021/22)
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) Churchfield Business Centre (£4.5m of which some £4.369 m is expected to be spent in 2021/22)

The development of a business incubator hub (27 units) at Sidney Little Road. Original estimates of £3.3m were included in the Capital programme for 2020/21, but since then the projects objectives and build specification have changed. Very significant levels of external funding are required to make the construction of these units viable within Hastings – given the low rental values that areas of high deprivation generally command. Currently some £800,000 of external funding is secured with a further £750,000 of monies bid for.

(viii) Playgrounds Upgrade (£86,000 in 2021/22)
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 £5.697m is expected to be spent in 2021/22)
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 shortly. 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 (£881,000 of which £222,000 is expected to be spent in 2021/22)
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. The works to the road/roof may not be completed until 2022.

(xi) Priory St Multi Storey Car Park (£140,000 of which £25,000 is expected to be spent in 2021/22)
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 (£70,000 groyne refurbishment funded by HBC and £470,000 of works funded by Defra/Environment Agency)
Preserving sea defences and the town is a key priority. This work is mostly 100% grant funded. The Council funds the groyne refurbishment/ sea defence works and sets aside £35,000 p.a. for this – sometimes packaged together over several years.

(xiii) Public Realm (£31,000)
In line with the strategic priorities of an attractive town, the Council is allocating £31,000 to seek to maintain the fabric of the town e.g. signposting, benches, seats, planters, highway and lighting improvements.

(xiv) Disabled Facility Grants (£1.812m (Est) – all grant funding)
Property related grants for adapting homes. In 2020/21 the Council will receive funding approaching £2.056m. The figure for 2021/22 is not yet known – but is not expected to be less.

(xv) Harold Place (£1.2m of which £1.171m is expected to be spent in 2021/22)
The development of this key Council owned site for a restaurant/café.

(xvi) Cornwallis Street Development (£7m of which £6.946m is expected to be spent in 2021/22)
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. The expenditure may well fall into 2022/23 as well – subject to planning and contract requirements.

(xvii) Castleham Industrial Units (£140,000 in 2021/22)
This is a major refurbishment project to over-roof units 6,7,8 & 9/10

Capital Expenditure 2022/23

11. The main areas of expenditure in 2022/23 are Priory Meadow – contribution to capital costs (£288,000), Energy (£1.9m potentially for ground mounted solar, £1.438m potentially for solar panels, £2.116m unallocated), potential loans to Hastings Housing Company (£3.881m), Disabled Facility Grants (£1.8m), Buckshole Reservoir (£467,000), Groyne refurbishment (£35,000), Empty Homes (£50,000), Lower Bexhill Road (£70,000).

Capital Expenditure 2023/24

12. The main areas of expenditure are currently Groyne Refurbishment (£35,000) and Disabled Facility Grants (£1.8m).

Summarised Capital Expenditure and Funding - 2020-21 (Revised) to 2023-24

13. The table below shows a summary of the expenditure for the current and next three years, along with the projected borrowing requirements.

	Revised 2020/21 £'000s	**2021/22 £'000s**	**2022/23 £'000s**	**2023/24 £'000s**
Gross Capital Expenditure	13,883	22,463	12,145	1,959
Net Capital Expenditure	9,272	12,781	10,306	120
Financing from own resources	4	125	216	120
Borrowing Requirement	9,268	12,656	10,090	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 2021.

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 (Actual)	2020/21 (Rev Est)	2021/22 (Est)	2022/23 (Est)	2023/24 (Est)
	£'000s	£'000s	£'000s	£'000s	£'000s
CFR-Opening	58,094	66,373	74,142	85,075	93,292
Less MRP	(£1,176)	(£1,499)	(£1,723)	(£1,873)	(£2,533)
Plus, New Borrowing	9,455	9,268	12,656	10,090	0
CFR Closing	66,373	74,142	85,075	93,292	90,759

18. The table above highlights that by 2022/23 the level of debt will have increased to some £93.3m (subject to viability and the approval of schemes within the Capital programme).

Revenue Consequences of the Capital Programme on the General Fund

19. Borrowing has long term revenue consequences. The debt, currently £64.69m 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 £172.457m at 31 March 2020 (£158.774m as at 31 March 2019).

Financial Risk Management

20. 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

21. 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.

22. Where borrowing money to finance economic development or regeneration schemes the Council is increasingly dependent upon the income streams to finance the debt repayments. No matter how good the business cases, 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.

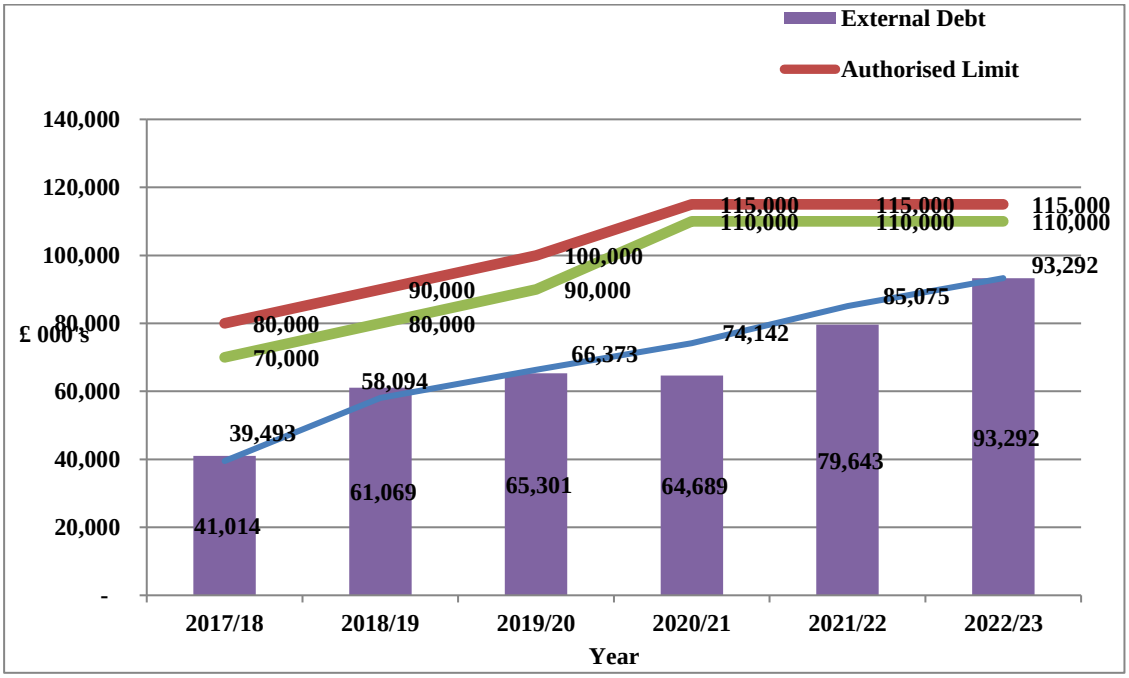
23. To arrive at an overall borrowing level (Authorised and Operational borrowing limits), the Council needs to take a considered view of its other potential liabilities, future borrowing requirements, guarantees and loans given, bad debts, claims against the Council, future funding, and security and diversity of the existing income streams, and unforeseen events e.g. a pandemic.

24. Based on the existing Capital programme, by 2023/24 interest on debt will amount to some £2.41m p.a. with capital repayments (MRP) of £2.53m; offset by income & interest. This represents some 32% of the net revenue stream (amount met from government grants and local taxpayers). Interest on debt is estimated at £2.115m for 2021/22.

25. The full Council determine the total limits on borrowing.

26. 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



27. 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 a further £3m tranche of monies in a diversified investment fund in 2020/21.

28. In terms of asset backed investments and projects e.g. involving commercial property and housing, the business cases 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, and their needs to be regular oversight.

29. 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

30. 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	£156,196	Annuity
The Source	2.43%	17/12/2015	16/12/2024	£13,254	Annuity
			Total	**£1,957,685**	

31. The above table excludes a series of loan to the Hastings Housing Company in respect of property purchases. As at 31 December 2020 the Capital loans amount to £5,489,398. The company has access to a revenue loan facility from the Council; the company fully repaid the revenue loan but has outstanding commitments regarding the capital advances.

32. 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.

33. 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

34. The Council maintains reserves for specific purposes (earmarked reserves) and also a general reserve for unavoidable future liabilities. The minimum recommended 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.

35. The Council's General and Earmarked reserves are set to fall further over the forthcoming 12 months. The balance at 1 April 2020 was £17.877m (unaudited). At the 31 March 2021 the estimated balance will be £15.801m with the balance at the end of 2021/22 amounting to some £13.12m. If Disabled Facility Grant monies are excluded the balance at the end of 2021/22 reduces to an estimated £11.05m.

36. 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

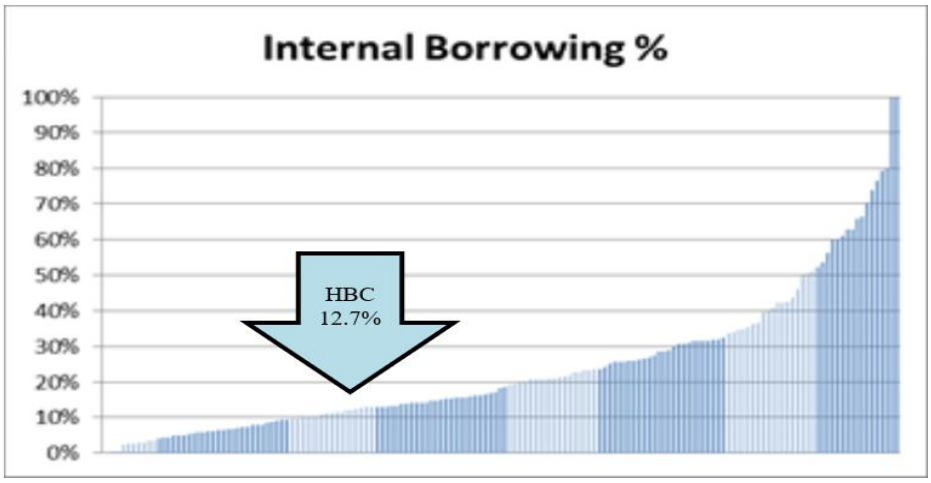
Internal Borrowing

37. 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 from reserves) to temporarily fund the assets.

38. 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)



39. The Council's Treasury advisers undertook a review of client's balance sheets and the average level of internal borrowing was, from the above graph, just under 20%. The level will vary depending upon when an authority finances expenditure and when debt is refinanced.

40. For Hastings BC the Council has previously 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. Currently, with interest rates looking set to continue at very low levels for the near future, a higher level of internal borrowing has temporarily been adopted.

41. For 2020/21 the level of internal borrowing by year end is expected to be £9.453m out of a total borrowing requirement of some £74.142m (12.7%)

Gearing

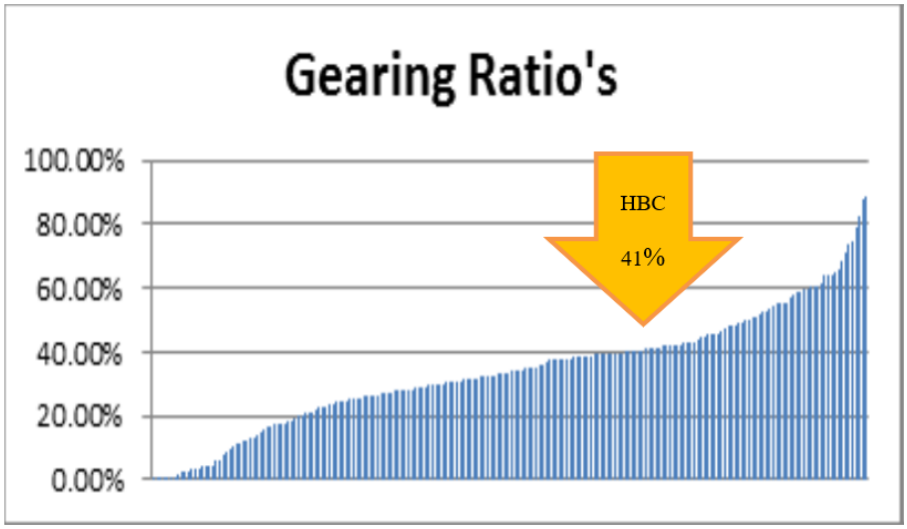
42. Gearing has predominantly been a debt metric used by the private sector more than the public sector, but recent moves towards commercialism opportunities and investments means that borrowing is a much greater risk and gearing is an appropriate prudential indicator.

43. Based on Link Asset Services' analysis of balance sheet positions for 2017/18, gearing ratios for over 200 authorities averaged out at around 35% when

comparing Capital Financing Requirements (CFR) to total Long-term Assets reported.

44. Due to the nature of assets held, services provided and historical debt decisions, positions will vary across different types of authority, and many authorities the ratios will have increased since 2017/18.However, it still provides a useful comparator.

Table: Gearing ratios in Councils (Link Treasury Service's Client Base)



45. Gearing provides an early indication of where debt levels are rising, relative to long-term assets held.

46. 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%.

47. For Hastings, the gearing ratio of debt (CFR) to long term assets is set to increase to 44% in 2021/22 (assuming no changes to asset valuations and Capital programme). When compared against the net assets of the authority the ratio increases to 100% in 2021/22 (the net assets of the authority after taking account of all debts and other liabilities being estimated at some £85m).

48. 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 (all is now at fixed rates).

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)			9,272	12,781	10,306	120	
New borrowing			9,268	12,656	10,090	-	
Net Assets	73,497	84,981	84,985	85,110	85,326	85,446	85,446
Long Term Assets	158,774	172,457	181,729	194,510	204,816	204,936	219,435
Capital Financing Requirement	58,094	66,373	74,142	85,075	93,292	90,759	110,000
RATIOS:							
Debt: Net Assets	**79%**	**78%**	**87%**	**100%**	**109%**	**106%**	**129%**
Debt: Long Term Assets	**37%**	**38%**	**41%**	**44%**	**46%**	**44%**	**50%**

49. 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 50%.

50. 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.

51. 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, and further changes to the Treasury Management codes are anticipated.

52. The government revised their lending criteria for the Public Works Loan Board (PWLB) on the 25 November 2020 which effectively prevents Councils from borrowing for commercial property investments where the primary purpose is to make a return (yield). The Council has no intention of purchasing commercial property primarily for yield and were it to consider doing so it would need to seek full Council approval to do so.

Ratio of Financing Costs to Net Revenue Stream

53. 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.

54. In Hasting's case the ratio of financing costs in 2021/22 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.

55. 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 32% by 2023/24).

56. 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.

57. 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?

58. The Council's expenditure plans are evolving and there are numerous potential projects that the Council will be involved in over the next few years.

Bexhill Road – lower tier site

59. 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.

60. The cabinet also agreed £25,000 be identified from general reserves to fund taxation and legal advice for setting up a joint venture.

61. 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 shortly on viability and how to proceed with the scheme e.g. joint venture, sale of land. 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)

62. The Council has a substantial plot of undeveloped industrial land. There is potential to develop the remainder of the site – subject to obtaining additional

grant funding.

Plot 1 – 27 Starter Units (now included in Capital Programme)
Plot 2 – 6 factory units (some 265 sqm each)
Plot 3 – 3 to 8 factory units (flexible sizes)

63. The initial estimates identified construction costs for the 3 sites at some £10m. Some 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 and a bid to the Towns Fund has been made.

Development Sites – HBC Land

64. 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

65. 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 council agreed last year to pursue the sale of such sites (unless an alternative viable option is identified that generates similar revenue streams within the same timescales).

Bohemia

66. The Travel lodge site looked likely to progress to redevelopment, along with the construction of a significant number of new properties. Covid-19 has impacted on the project and negotiations.

67. The development of the remaining area of Bohemia is currently on hold whilst the Towns Fund bid is developed along with a new Local Plan for the borough.

Towns Fund

68. The Council is in the process of finalising its Town Investment plan to take advantage of the £3.6bn Towns Fund announced by the Prime Minister in July 2019. The intention of the fund is to help drive sustainable economic

regeneration for long term economic and productivity growth.

69. The Council's bid will be submitted in 2021, and it is understood to include a very wide range of projects that will also draw in external investment. The Council will be involved in a range of these and there are expected to be calls for very significant projects to be included in the Capital programme – to be delivered over the next 6 years. Such projects could include, for example, a new leisure centre.

Commercial Property/ Housing/Energy Initiatives

70. The Capital programme includes new monies for 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 (£50,000 - £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 2020 the Council's Long term Assets were valued at some £172m whilst debt (CFR) amounted to some £65m.

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 2020/21 the expected spend amounts to £697,300 and in 2021/22 it is estimated at £850,500. As a result of expenditure exceeding income the balance on the reserve is expected to fall from £1.556m at 31 March 2020 to some £1.07m by the end of March 2022.

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 £147,000 in 2020/21 and £248,000 in 2021/22(Please see budget).

Knowledge, Skills and Training

81. 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.

82. 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.

83. 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.

84. Where specialist knowledge is required the Council will obtain expert advice, particularly around property specialisms, taxation, and legal advice.

Summary

85. 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.

86. The Capital programme is heavily reliant on borrowing and will continue to be so especially given that the Council is looking at some major economic development and regeneration schemes.

87. The Council will wish to progress developments rapidly following outline planning permission - particularly of its own land. Given the scale of some of the developments and 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.

88. 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 for 2022/23.

89. The investments that may be made in Energy, Housing are expected to make significant contributions to the Council's budget and thus help to preserve services and jobs within the borough.

90. 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

91. 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.

92. The draft Corporate Plan, and draft budget for 2021/22 are subject to public consultation from January 2021.

Equality Impact Assessment

93. 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	2019/20 Actual	2020/21 Original.Est	2020/21 Rev.Est	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Financing Costs	£'000	£'000	£'000	£'000	£'000	£'000
1. Interest Charged to General Fund	1,810	2,315	1,914	2,115	2,326	2,414
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	0
4. Interest and Investment Income	-580	-667	-551	-608	-671	-660
5. Amounts payable or receivable in respect of financial derivatives	-	-	-	-	-	-
6. MRP, VRP	1,176	1,499	1,499	1,723	1,873	2,533
7. Depreciation/Impairment that are charged to the amount to be met from government grants and local taxpayers	-	-	-	-	-	-
Total	2,406	3,147	2,862	3,230	3,528	4,287
Net Revenue Stream						
Amount to be met from government grants and local taxpayers	13,329	13,063	14,845	14,018	13,156	13,372
Ratio						
Financing Cost to Net Revenue Stream	**18%**	**24%**	**19%**	**23%**	**27%**	**32%**

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