

# Cabinet Agenda

**Monday, 6 September 2021 at 6.00 pm**

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

If you are attending Muriel Matters House for this meeting, please enter the building via the Tourist Information Centre entrance. Members of public are advised that they will need to sign in to comply with health and safety legislation and will be escorted up to the Committee Room.

For further information, please contact Democratic Services on 01424 451484 or email: [democraticservices@hastings.gov.uk](mailto:democraticservices@hastings.gov.uk)

		Page No.
1.	Apologies for Absence	
2.	Declaration of Interests	
3.	Minutes of Last Meeting	1 - 4
4.	Annual Treasury Management Outturn Report - 2020-21 ( <i>Peter Grace, Assistant Director Financial Services and Revenues</i> ) (Full Council decision)	5 - 24
5.	Amendment to Financial Assistance Policy ( <i>Andrew Palmer, Assistant Director, Housing and Built Environment</i> ) (Cabinet decision)	25 - 30
6.	Notification of Additional Urgent Items	
7.	Urgent Items (if any)	
8.	Exclusion of the Public To resolve that the public be excluded from the meeting during the consideration of the items of business listed below because it is likely that if members of the public were present there would be disclosure to them of "exempt" information as defined in the paragraphs of schedule 12A to the Local Government Act 1972 referred to in the relevant report	

9.	4 Stanier Road (Part 2) ( <i>Peter Grace, Assistant Director Financial Services and Revenues</i> ) (Cabinet decision)	31 - 34
----	---	---------

# Agenda Item 3 Public Document Pack

## CABINET

5 JULY 2021

Present: Councillors Forward (Chair), Barnett (Vice-Chair), Batsford, Chowney\* Evans\*, Rogers\*, Webb.

\* The following Councillors were not present in person but attended virtually via MS TEAMS – they did not take part in the formal decision-making process and did not vote.

### **353. APOLOGIES FOR ABSENCE**

No apologies for absence.

### **354. DECLARATION OF INTERESTS**

Councillor	Item	Interest
Webb	355	Personal – member of East Sussex County Council Health and Wellbeing Board.

### **355. MINUTES OF THE LAST MEETING**

The Chair requested that the minutes of the last meeting be amended so that the note underneath attendance reads 'The following Councillors were not present in person but attended virtually.'

**RESOLVED** (unanimously) – that the minutes of the meeting held on 16<sup>th</sup> June 2021 be approved as a true record.

The Managing Director gave a verbal update on the Covid-19 pandemic in Hastings. The latest data for Hastings shows a rate of 221 infections per 100,000 people. Whilst a small number are hospitalised, the biggest impact at the moment is on business continuity within education and workplaces. The large numbers of people needing to isolate is affecting schools and hospitality in particular.

The Director of Public Health for East Sussex has welcomed the council's support in highlighting the ongoing need for continued testing and the importance of all over-18's getting their vaccination as soon as possible.

The current concern is that the virus may continue to spread in the community and mutate into a vaccine resistant variant. There is also worry about the impact of long-covid symptoms on those who have caught the virus.

The advice of the Director of Public Health is that even though rules are being relaxed residents should continue to proceed with caution in order to protect others.

## **CABINET**

**5 JULY 2021**

The Council is working with voluntary and community sector partners to work out how best to engage the 6000 local people in the most vulnerable groups who remain unvaccinated.

**RESOLVED** - the Chair called over the items on the agenda, under rule 13.3 of the council's constitution the recommendations set out in minute number 356 are agreed without being called for discussion.

### **356. PROGRAMME FOR THE YEAR 2021**

The Managing Director submitted a report to outline the Programme for the Year 2021/22 headlines, and intentions to integrate these where appropriate into existing performance monitoring arrangements.

Traditionally at the Annual meeting of the Council, the Programme for the Year is debated, agreed and then integrated into service delivery arrangements.

Given the ongoing pandemic, combined with the recent requirement to host face to face meetings, both political group Leaders, (who have a right to speak on this item at Annual Council) agreed to postpone debate on the Programme for the Year until the July Council meeting.

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

#### **RESOLVED:**

**That the Programme for the Year headlines are agreed and then integrated where required into the Council's Corporate Plan and Budget performance monitoring arrangements.**

Reasons:

To ensure alignment of Programme for the Year commitments with those already agreed by full Council in the Corporate Plan.

### **357. HOMELESSNESS RECOVERY PLAN**

The Assistant Director, Housing and Built Environment, presented a report to set out some of the new projects and services that have been developed to continue to improve homelessness prevention services, during the pandemic recovery period.

The report highlights the very successful work that the council has been undertaking to develop and extend its homelessness service. Additional resources have been

## **CABINET**

**5 JULY 2021**

secured, partly through partnership working, to support the homelessness service and further funding bids have been submitted to central government.

The proposals in the report include a continued commitment to reduce rough sleeping in Hastings; measures to assist those who are fleeing domestic abuse; measures to support those leaving prison who are at risk of reoffending due to rough sleeping; and a wider review of the council's housing allocation system.

The Strategic Housing and Projects Manager gave an overview of the projects proposed in the report.

The Leader of the Council said she was very proud of the work Hastings Borough Council and partners are undertaking to try and ensure everyone has a safe and secure home.

Councillor Batsford proposed approval of the recommendations, seconded by Councillor Barnett.

### **RESOLVED (unanimously):**

**1. That the notice period for people to leave discretionary temporary accommodation placements is extended from 1 week to 3 weeks until mid-August 2021**

**2. That Cabinet recommend to Full Council to amend the council's capital programme to include £1,855,000 for the Rough Sleeper Accommodation Programme, including match funding of £834,750 provided by the council**

**Subject to approval of the Rough Sleeper Accommodation Programme bid:**

**3. Delegated authority is given to the Assistant Director for Housing and Built Environment, in consultation with the Lead Member for Housing, to vary our existing Housing First contract under urgency provisions (paragraph 21c of the Financial Operating Procedures)**

**Subject to approval of the Accommodation for Ex-Offenders bid:**

**4. Delegated authority is given to the Assistant Director for Housing and Built Environment, in consultation with the Lead Member for Housing, to vary our existing Rapid Rehousing Pathway contract under urgency provisions (paragraph 21c of the Financial Operating Procedures)**

Reasons:

The council has been working in partnership with a range of statutory and voluntary sector organisations to develop additional services to support those in need. Demand for the council's homelessness services has remained high during the pandemic and

## **CABINET**

**5 JULY 2021**

is expected to continue to increase in the months to come.

2. That Cabinet recommend to Full Council to amend the council's capital programme to include £1,855,000 for the Rough Sleeper Accommodation Programme, including match funding of £834,750 provided by the council

Subject to approval of the Rough Sleeper Accommodation Programme bid:

3. Delegated authority is given to the Assistant Director for Housing and Built Environment, in consultation with the Lead Member for Housing, to vary our existing Housing First contract under urgency provisions (paragraph 21c of the Financial Operating Procedures)

Subject to approval of the Accommodation for Ex-Offenders bid:

4. Delegated authority is given to the Assistant Director for Housing and Built Environment, in consultation with the Lead Member for Housing, to vary our existing Rapid Rehousing Pathway contract under urgency provisions (paragraph 21c of the Financial Operating Procedures)

### **358. LAND AT WHITWORTH ROAD (PART 2)**

This item was deferred.

(The Chair declared the meeting closed at 6.29pm)

# Agenda Item 4



**Report to:** Cabinet

**Date of Meeting:** 6 September 2021

**Report Title:** Treasury Management Outturn Report for 2020-21

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

---

## **Purpose of Report**

This report provides the opportunity for the Cabinet, Audit Committee and Council to scrutinise the Treasury Management activities and performance of the last financial year.

---

## **Recommendation(s)**

- 1. To consider the report – no recommendations are being made to amend the current Treasury Management Strategy as a result of this review.**

---

## **Reasons for Recommendations**

To ensure that members are fully aware of the activities undertaken in the last financial year, that Codes of Practice have been complied with and that the Council's strategy has been effective in 2020-21.

Under the Code adopted the Full Council are required to consider the report and any recommendations made. There will be a further report forthcoming on Treasury Management covering a review of the current financial year i.e. the Mid-year review.

---

## Introduction

1. This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2020/21. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).
2. The primary requirements of the Code are as follows:
  - a. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
  - b. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
  - c. Receipt by the Full Council of an annual treasury management strategy report - including the annual investment strategy report for the year ahead, a mid-year review report (as a minimum) and an annual review report of the previous year.
  - d. 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.
  - e. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body which in this Council is the Audit Committee.
3. Treasury management in this context is defined 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 regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.
5. Member training on treasury management issues was last undertaken on 2 February 2021 and prior to that on 15 January 2020 in order to support members' scrutiny role.
6. The figures provided in this report for 2020/21 are as yet unaudited and still subject to change.



7. This annual Treasury report covers
  - a. capital expenditure and financing 2020-21
  - b. overall borrowing need (the Capital Financing Requirement)
  - c. treasury position as at 31 March 2021
  - d. performance for 2020-21
  - e. the strategy for 2020-21
  - f. the economy and interest rates in 2020-21
  - g. borrowing rates in 2020-21
  - h. the borrowing outturn for 2020-21
  - i. debt rescheduling
  - j. compliance with treasury limits and Prudential Indicators
  - k. investment rates in 2020-21
  - l. investment outturn for 2020-21

## Capital Expenditure and Financing 2020/21

8. The Council undertakes capital expenditure on long-term assets. These activities may either be:
  - Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
  - If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.
9. The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

Capital Programme Financing 2020/21	Outturn 2020/21	
	£'000's	£'000's
<b>Expenditure:</b>		<b>10,104</b>
<b>Financed By:</b>		
Borrowing		7,855
Grants:		
Disabled Facilities Grant	1,109	
Lower Bexhill Road Housing Site	693	
Country Park Interpretive Centre	337	
Harbour Arm and New Groynes	30	
Other Grants and Contributions	76	2,246
Reserves		0
Capital Receipts		3
	<b>Total</b>	<b>10,104</b>

## Overall Borrowing Need (Capital Financing Requirement (CFR))

10. The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's debt position. The CFR results from the capital activity of the Council and what resources have been used to pay for the capital spend.
11. Part of the Council's treasury activities is to address the funding requirements for the Council's borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure enough cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies, such as the Government, through the Public Works Loan Board (PWLB), the money markets, or by using temporary cash resources from within the Council.
12. 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.
13. The total CFR can also be reduced by:
  - the application of additional capital financing resources (such as unapplied capital receipts); or
  - charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).
14. The Council's 2020/21 MRP Policy was approved as part of the Treasury Management Strategy Report for 2020/21 by Council in February 2020.
15. The Council's CFR for the year is shown below and represents a key prudential indicator. It includes leasing schemes on the balance sheet, which increase the Council's borrowing need (albeit no borrowing of cash is required).

<b>Table 2 CFR: General Fund</b>	2019/20  Actual £000's	2020/21 Revised Estimate £000's	2020/21  Actual £000's
Opening balance	58,094	66,373	66,373
Add unfinanced capital expenditure	9,455	9,268	7,855
Less MRP	(1,176)	(1,499)	(1,499)
<b>Closing balance</b>	<b>66,373</b>	<b>74,142</b>	<b>72,729</b>

Note: Lease arrangements are excluded from the above table

16. Borrowing activity is constrained by prudential indicators for net borrowing and the CFR, and by the authorised limit.
17. The Council's long term borrowing must only be for a capital purpose. This essentially means that the Council is not borrowing to support revenue expenditure. Net borrowing should not therefore, except in the short term, have exceeded the CFR for 2020/21 plus the expected changes to the CFR over 2021/22 and 2022/23 from financing the capital programme. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs.
18. The table below highlights the Council's gross borrowing position (External Borrowing) against the CFR, which provides an indication of affordability for the Council. The Council has complied with this prudential indicator.

<b>Table 3 CFR vs Borrowing Level</b>	<b>2019/20 Actual</b>	<b>2020/21 Revised Estimate</b>	<b>2020/21 Actual</b>
	£000's	£000's	£000's
Capital Financing Requirement	66,373	74,142	72,729
External Borrowing	65,301	64,689	64,690
<b>Net Internal/(External) Borrowing</b>	<b>1,072</b>	<b>9,453</b>	<b>8,039</b>

## Treasury Position as at 31 March 2021

19. The Council's debt and investment position at the beginning and the end of the year is shown in the tables that follow, namely: -

<b>Table 4</b>	<b>31 March 2020 Principal</b>	<b>31 March 2021 Principal</b>
<b>Investments</b>		
Managed In-House	£17.683m	£23.318m
CCLA Managed Externally	£4.515m	£4.752m
<b>Total Investments</b>	<b>£22.198m</b>	<b>£28.07m</b>

<b>Table 5</b>	<b>1 April 2020 Principal</b>	<b>Start Date</b>	<b>Maturity Date</b>	<b>31-Mar 2021 Principal</b>	<b>Rate</b>
<b>Debt</b>					
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	31/01/2059	£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%
<b>Total Debt</b>	<b>£65,301,339</b>			<b>£64,689,926</b>	<b>2.82%</b>

## Performance Measurement (2020-21)

20. Table 6 below compares the Estimated Interest Payable and Received and associated fees for the year 2020-21.

<b>Table 6 Interest</b>	2019 -20 Actual Outturn £000's	2020-21 Revised Budget £000's	2020-21 Actual Outturn (Unaudited) £000's
Gross Interest Payable	1,810	1,854	1,848
Gross Interest Received	(596)	(551)	(521)
Fees	10	10	10
Other (e.g. PWLB Discount)	(0)	(0)	(0)
Net Cost	1,224	1,313	1,337

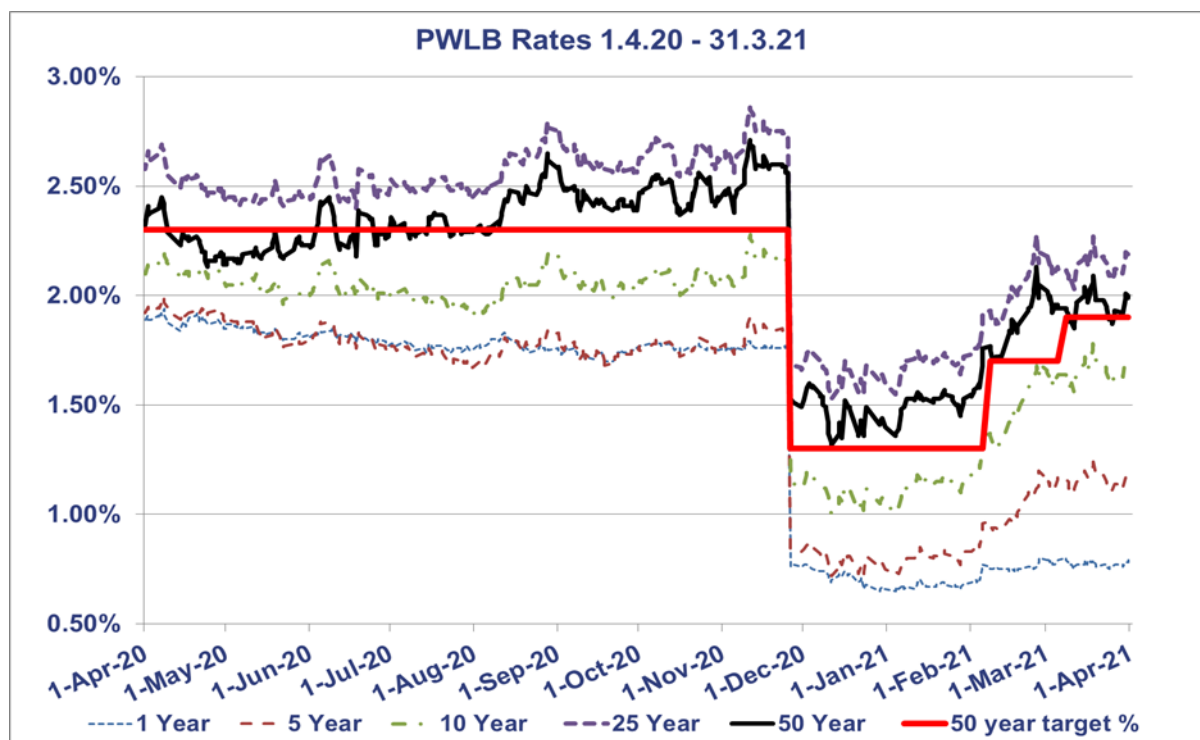
21. The Council's longer term cash balances comprise, primarily, revenue and capital resources, although these will be influenced by cash flow considerations. The Council's core cash resources are detailed below and were in line with budget expectations.

## The Strategy for 2020-21

22. The general aim of the 2020-21 treasury management strategy was to minimise the costs of borrowing in both the short and longer term. In the short term it would consider avoiding new borrowing and using cash balances to finance new borrowing. However, to minimise longer term costs the Council 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.
23. Given that rates did not look set to increase it was recommended that new borrowing was only taken when necessary and internal balances were used to temporarily finance long life assets. If rates decreased, 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.
24. The strategy proved very effective for 2020/21 in that the Council had borrowed successfully in past years and had cash backed reserves in place with little internal borrowing as at March 2020 when the Covid-19 pandemic struck. This enabled the Council to avoid having to borrow at high rates of interest to cover day to day expenses and avoided any cash flow difficulties. It also enabled the Council to avoid borrowing for the whole of 2020/21. The Council can not avoid borrowing for long and will need to take advantage of the historically low interest rates currently in place.

## Borrowing Rates in 2020-21

25. PWLB borrowing rates - the graph for PWLB maturity rates below shows, for a selection of maturity periods, the fluctuations in rates during the last financial year.



	1 Year	5 Year	10 Year	25 Year	50 Year
<b>Low</b>	0.65%	0.72%	1.00%	1.53%	1.32%
<b>Date</b>	04/01/2021	11/12/2020	11/12/2020	11/12/2020	11/12/2020
<b>High</b>	1.94%	1.99%	2.28%	2.86%	2.71%
<b>Date</b>	08/04/2020	08/04/2020	11/11/2020	11/11/2020	11/11/2020
<b>Average</b>	1.43%	1.50%	1.81%	2.33%	2.14%
<b>Spread</b>	1.29%	1.27%	1.28%	1.33%	1.39%

26. HM Treasury imposed two changes of margins over gilt yields for PWLB rates in 2019/20 without any prior warning. The first took place on 9th October 2019, adding an additional 1% margin over gilts to all PWLB period rates. That increase was then, at least partially, reversed for some forms of borrowing on 11th March 2020, but not for mainstream non-HRA capital schemes.
27. A consultation was then held with local authorities and on 25th November 2020, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates; the standard and certainty margins were reduced by 1% but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three year capital

programme.

The new margins over gilt yields are as follows: -.

PWLB Standard Rate is gilt plus 100 basis points (G+100bps)

PWLB Certainty Rate is gilt plus 80 basis points (G+80bps)

28. There is likely to be only a gentle rise in gilt yields and PWLB rates over the next three years as Bank Rate is not forecast to rise from 0.10% by March 2024 as the Bank of England has clearly stated that it will not raise rates until inflation is sustainably above its target of 2%; this sets a high bar for Bank Rate to start rising.

### **Borrowing Outturn for 2020/21**

29. No new long term borrowing was taken during the year, given the expectation of continuing low rates of interest. The Council has effectively used its reserves and balances to fund the Capital programme in 20/21 but will need to borrow in the near future. The investment rate achievable during the year was low, and whilst the borrowing rates are still low historically, they are high compared to the investment rates. The policy of "internal borrowing has saved the Council considerable monies in 2020-21 (every 1% difference on £7.855m is worth £78,550).
30. During 2020/21 there were debt repayments of £611,413 resulting in a total balance outstanding with the PWLB of £64,689,926 as at 31 March 2021.

### **Borrowing in advance of need**

31. The Council has not borrowed more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed.
32. The Council had a lower level of borrowing than its Capital Financing Requirement (CFR) at the 31 March 2021.



## Debt Rescheduling

33. The Council has examined in the past the potential for making premature debt repayments in order to reduce borrowing costs as well as reducing counterparty risk by reducing investment balances. No rescheduling was undertaken during the year as the differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable. When last reviewed on the 27 September 2017 the early repayment cost of the £7.5m PWLB loan, maturing in 2033, would have amounted to £3,177,343.

## Compliance with Treasury Limits

34. During the financial year the Council operated within the treasury limits and Prudential Indicators set out in the Council's annual Treasury Strategy Statement (Appendix 1).

## Investment Rates in 2020-21

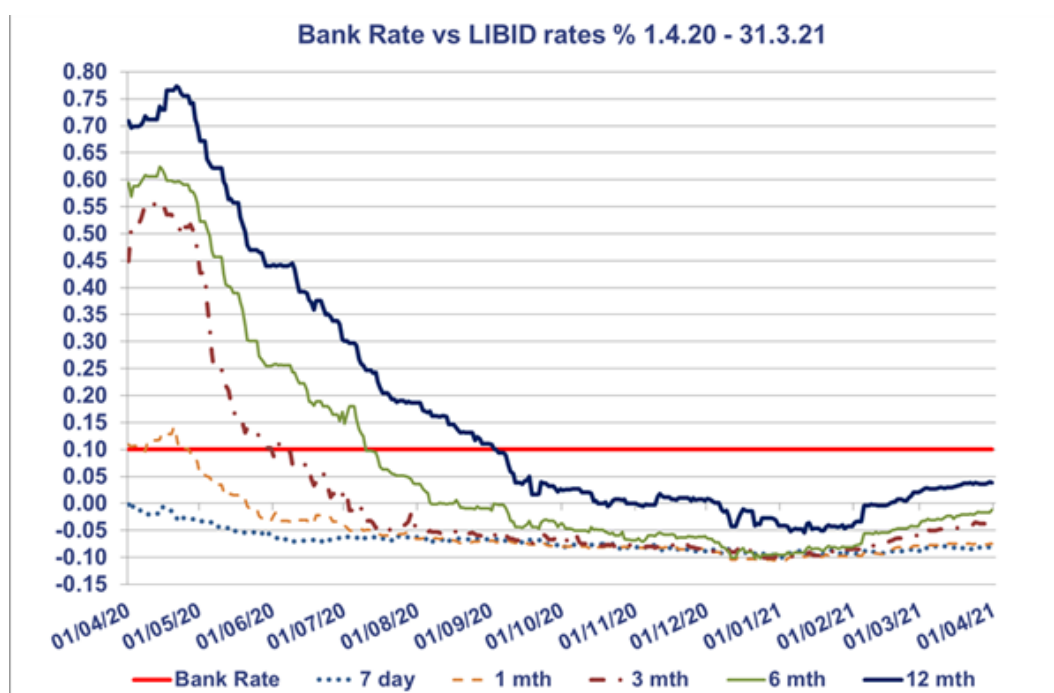
35. Investment rates for 3 months and longer were stable throughout most of the year with Bank Rate staying the same throughout 2020-21.
36. The Bank Rate was last reduced to 0.25% on 11 March 2020 and then to 0.1% on 19 March 2020.
37. The funds invested during the year were often available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the capital programme.

### Investment Strategy

38. The strategy for 2020/21 was agreed at the Council meeting in February 2020. The Investment strategy did not change during the year given the already low interest rates, other than investing money for shorter periods to ensure there was sufficient monies available for cash flow purposes.
39. Investment returns which had been low during 2019/20, plunged during 2020/21 to near zero or even into negative territory. Most local authority lending managed to avoid negative rates and one feature of the year was the growth of inter local authority lending. The expectation for interest rates within the treasury management strategy for 2020/2,1 was that Bank Rate would continue at the start of the year at 0.75 % before rising to end 2022/23 at 1.25%.
40. This forecast was invalidated by the Covid-19 pandemic bursting onto the scene in March 2020 which caused the Monetary Policy Committee to cut Bank Rate in March, first to 0.25% and then to 0.10%, in order to counter the hugely negative impact of the national lockdown on large swathes of the economy. The Bank of England and the Government also introduced new programmes of supplying the banking system and the economy with massive amounts of cheap credit so that banks could help cash-starved businesses to survive the lockdown.
41. The Government also supplied huge amounts of finance to local authorities to pass on to businesses. This meant that for most of the year there was much



more liquidity in financial markets than there was demand to borrow, with the consequent effect that investment earnings rates plummeted.



	Bank Rate	7 day	1 mth	3 mth	6 mth	12 mth
<b>High</b>	0.10	0.00	0.14	0.56	0.62	0.77
<b>High Date</b>	01/04/2020	02/04/2020	20/04/2020	08/04/2020	14/04/2020	21/04/2020
<b>Low</b>	0.10	-0.10	-0.11	-0.10	-0.10	-0.05
<b>Low Date</b>	01/04/2020	31/12/2020	29/12/2020	23/12/2020	21/12/2020	11/01/2021
<b>Average</b>	0.10	-0.07	-0.05	0.01	0.07	0.17
<b>Spread</b>	0.00	0.10	0.25	0.66	0.73	0.83

42. While the Council has taken a cautious approach to investing, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the financial crisis. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.
43. Investment balances have been kept to a minimum through the agreed strategy of using reserves and balances to support internal borrowing, rather than borrowing externally from the financial markets. External borrowing would have incurred an additional cost, due to the differential between borrowing and investment rates as illustrated in the charts shown above and below. Such an approach has also provided benefits in terms of reducing the counterparty risk exposure, by having fewer investments placed in the financial markets.

44. The revised budget in February 2021 forecast investment returns (including loans) of £551,000 whilst the actual outturn was £521,000. This is considered to be a very good outcome given the impact of Covid-19 and the reduction in the base rate to 0.1%.
45. The impact of Covid-19 has been significant on all investments and particularly the stock markets around the world. Hastings BC has not been immune, but the strategy of limiting the level of investments with different institutions, with different countries, and the amounts invested in property and other funds has stood the Council in a good position. Losses have been limited and the Council has had no issues in managing its cash flow.
46. **Investments: Property Fund & Diversified Income Fund (DIF)**

The return on the Property Fund investment (£2m with CCLA) was 11.73% net of fees to the end of June 2021 i.e. Capital gains and dividends. This compares to negative returns in the previous year. The net dividends received amounted to £84,002 in the financial year. The table below highlights the overall performance compared to previous years.

#### Long-term performance

##### Total return performance (net) 12 months to 30 June

	2021	2020	2019	2018	2017
The Local Authorities' Property Fund	+11.73%	-3.47%	+5.46%	+9.36%	+7.24%
Comparator Benchmark	+8.49%	-2.48%	+4.05%	+10.23%	+5.67%

The comparator benchmark is the MSCI/AREF UK Other Balanced Quarterly Property Fund Index.

Performance shown after management fees and other expenses. Past performance is not a reliable indicator of future results and future returns are not guaranteed.

Source: CCLA & MSCI/AREF

47. In addition to the £2m invested in the CCLA Property Fund the Council invested £3m in the CCLA Diversified Income Fund (DIF) during 2019/20. The net dividends received amounted to £90,138 in 2020-21.
48. At the 31st March 2021 the Property Fund had a capital value (Mid-Market price) of £1.911m and the DIF £2.84m. The yields have continued to be high, with the DIF yielding some 2.86% (July 2021) and the Property Fund 4.12% (July 2021).
49. The Property Fund and DIF are both longer term investments (5 years plus) and it has always been well understood that the capital values can go up as well as down. The impact of Covid-19 on the values and the subsequent recovery has been reported previously. Since March 2021 the Capital value of the DIF has recovered even further to £2.997m (a gain of £156,764 since March). The Property Fund capital value has also recovered further since March 2021 from £1.911m to £2.03m (a gain of £92,060).

#### Investment Outturn for 2020-21

50. Cash balances fluctuated widely during the year. The Council, at times received considerable additional monies from the government to distribute to businesses and this was held in readily accessible bank accounts but gained little or no

interest. Whilst much of the money was distributed, the Council still has some balances to distribute e.g. Test and Trace and, at the time of writing, the Additional Restrictions Grant, whilst some balances have been returned to the government.

51. The average rate of return for the year on the investments made was 0.53% (excluding CCLA investments). The higher return reflecting investments made prior to Covid-19 and reductions in base rates. The total interest earned for the year was £26,086 (excluding the CCLA monies). The comparable performance indicator is the uncompounded 7-day LIBID rate which was – 0.0706% (Minus). These returns also exclude the interest received on loans e.g. Hastings Housing company, Optivo, Foreshore Trust.
52. The table below provides a snapshot of the investments/deposits held at 31 March 2021 (excluding those with CCLA).

Counterparty	Rate/ Return (%)	Start Date	End Date	Principal (£)	Term
NatWest	0.05			6,147	Call
Australia and NZ BCG Ltd	0.05	14/01/2021	14/04/2021	5,000,000	Fixed
DBS Bank Ltd , London	.04	14/01/2021	14/04/2021	5,000,000	Fixed
Flintshire County Council	0.15	23/03/2021	23/06/2021	5,000,000	Fixed
Barclays				4,999,995	Call
Lloyds Gen				3,311,947	Call
			<b>Total</b>	<b>23,318,089</b>	

53. In addition to the investments the Council has a few loans in place, namely as at 31 March 2021: -

Counterparty	Rate/ Return (%)	Start Date	End Date	Principal O/S * (£)	Term
Amicus/Optivo	3.78	04/09/2014	02/09/2044	1,788,235	Fixed
The Source	2.43	17/12/2015	17/12/2025	13,253	Fixed
Foreshore Trust	1.66	21/03/2016	20/03/2026	156,196	Annuity

\*Note: these are the balances outstanding – assuming all repayments are made

### Loans to Hastings Housing Company Ltd

54. Hastings Housing Company, wholly owned by the Council, has two loan facilities with the Council, a revenue loan, and a capital loan. The rate chargeable on the

revenue loan is calculated monthly and stood at 4.69% at the end of March 2020 – this loan has now been repaid to the Council.

55. The Capital loan rate is based on the rate prevailing at the time of the advance and is fixed for the period of the loan. The value of the capital loan was £5,489,398 at the end of March 2021. The interest rates are determined in accordance with EU rules.
56. The debt costs (principal and interest) incurred by the Council in making advances to the housing company are covered by the interest repayments from the housing company. The interest receivable by the Council amounted to £249,581 in 2020-21 (unaudited).

## **Other Issues**

### **Local Authority Capital Finance Framework & CIPFA Codes**

57. The government published a policy paper on 28 July 2021 entitled “Local Authority Capital Finance Framework; planned improvements”. This paper outlines the ways in which government will look to increase scrutiny and also the control over the capital system.
58. The Chartered Institute of Public Finance and Accountancy, (CIPFA), issued a revised Treasury Management Code and Cross Sectoral Guidance Notes, and a revised Prudential Code in 2017. A new Financial Management Code has been issued which applies to all authorities. There is a requirement that Council’s comply with the Code from 1 April 2021; much of the Code relates to proper financial management arrangements being in place across the authority. The adherence to the various codes relating to Treasury Management form an important aspect of complying with the Financial Management Code.
59. A new Capital Strategy was considered and agreed by full council in February 2021. High value projects, such as the Town Deal and development on the lower tier site on Bexhill Road are likely to necessitate wholesale changes to the Council’s Capital Strategy and the Treasury Management Strategy, this will be at the same time as the government are looking to increase controls and potentially set limits on what levels authorities can prudently borrow up to.

### **Minimum Revenue Provision (MRP) guidance**

60. The last government (MHCLG) MRP guidance was issued on 2 February 2018. This focused particularly on expenditure relating to purchasing non-financial asset investments and the periods over which debt was required to be repaid.
61. The government have advised that they will be reviewing the legislation to ensure that adequate provisions are made to repay all debt incurred. Consultation is expected in the early autumn of 2021.

## **Public Work Loans Board (PWLB) – Changes to Lending criteria**

- 62. The government announced changes to lending criteria in November 2020. In brief it resulted in the prevention of borrowing purely for monetary gain/yield. This has arisen as a number of authorities have been viewed as taking to high a level of borrowing and risk and therefore acting imprudently given their size and responsibilities.
- 63. Further announcements have been made this summer by both the Government and Cipfa in terms of further legislation and guidance with regard to the Prudential Code, and potential caps on borrowing. The information supplied to the government is increasing and from September 2021 there will be increased complexity and a longer application process to secure loans from the PWLB.

## **Financial Implications**

- 64. The security of the Council's monies remains the top priority within the strategy, along with liquidity – being able to access sufficient money as and when required. Investment rates available in the market have continued to be at historically low levels during the last year.
- 65. No new borrowing was undertaken in the year, albeit that the Capital expenditure incurred will need to be funded through borrowing shortly. The use of the Council's reserves and balances to temporarily fund the Capital expenditure has resulted in significant savings to the Council.
- 66. The Council has acquired some property assets in the year that will result in ongoing financing costs, but these will be offset by increased income or reductions in costs that the Council would otherwise incur e.g. by reducing temporary accommodation costs by more than the costs of borrowing.
- 67. The Council has carefully considered the overall levels of borrowing being undertaken against the size of the Council's budget and its unencumbered assets, along with the affordability of the debt commitments as and when income streams potentially reduce – as unfortunately tested by the recent Covid-19 crisis. At no time during the year has cash flow been an issue for the Council.
- 68. The effective management of the Council's cash flow, reserves, and investments remains of critical importance. The increasing governance in this area, as well as the increasing sums involved will necessitate more staff resources being required to manage and report on this critical area.
- 69. The forthcoming changes to the Prudential Code (Cipfa), and potentially new borrowing limits as well as further changes to Treasury Management will increase the controls and reporting requirements. Any limits on borrowing could potentially impact significantly on the Council's plans.

## Timetable of Next Steps

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

Action	Key milestone	Due date (provisional)	Responsible
Audit Committee	Report	18 November 2021	Chief Finance Officer
Cabinet	Report	6 September 2021	Chief Finance Officer
Full Council	Report	13 October 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

---

## Implications

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

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

---

## Additional Information

Treasury Management and Annual Investment Strategy 2020/21  
CIPFA - Treasury Management Code of Practice  
CIPFA - The Prudential Code  
Appendix 1 – Prudential Indicators  
Appendix 2 – Capital Expenditure 2020-21 (and amounts financed by borrowing)

---

## Officer to Contact

Officer Name: Peter Grace  
Officer Email Address; pgrace@hastings.gov.uk

## APPENDIX 1 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
<b>Authorised Limit for external debt</b>					
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
<b>TOTAL</b>	100,000	115,000	115,000	115,000	115,000
<b>Operational Boundary for external debt</b>					
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
<b>TOTAL</b>	90,000	110,000	110,000	110,000	110,000

The Council's external borrowing at 31 March 2020 amounted to £64,689,926 which is well within approved borrowing limits.



Interest Rate Exposures	2020/21	2021/22	2022/23
	Upper	Upper	Upper
Limits on fixed interest rates based on <b>net</b> debt	100%	100%	100%
Limits on variable interest rates based on <b>net</b> 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%
<b>Maturity Structure of fixed interest rate borrowing 2020/21</b>			
	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%	
<b>Maturity Structure of variable interest rate borrowing 2020/21</b>			
	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 Rev.Est	2020/21 Outturn	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
<b>Financing Costs</b>	£'000	£'000	£'000	£'000	£'000	£'000
1. Interest Charged to General Fund	1,810	1,854	1,848	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	-551	-521	-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	-	-	-	-	-	-
<b>Total</b>	2,406	2,802	2,826	3,230	3,528	4,287
<b>Net Revenue Stream</b>						
Amount to be met from government grants and local taxpayers	13,329	13,063	14,845	14,018	13,156	13,372
<b>Ratio</b>						
<b>Financing Cost to Net Revenue Stream</b>	<b>18%</b>	<b>21%</b>	<b>19%</b>	<b>23%</b>	<b>27%</b>	<b>32%</b>

This prudential indicator shows that the ratio of financing costs to the net revenue stream is generally increasing. This is not unexpected given that the Council agreed a programme for over £50m of Capital expenditure over the period 2017/18 to 2021/22 - thus increasing borrowing costs.

## Appendix 2

### Capital Expenditure financed by borrowing in 2020-21

<b>Capital Expenditure 2020-21</b>	<b>2020-21 Actual</b>	<b>Financed By Borrowing</b>
	<b>£</b>	<b>£</b>
Private Sector Renewal Support	4,973	
Disabled Facilities Grant	1,109,385	
Restoration of Pelham Crescent/ Pelham Arcade	8,693	1,586
Work on Harbour Arm and New Groynes	29,924	
Public Realm	14,914	
Country Park - Interpretive Centre	562,306	224,923
Playgrounds Upgrade Programme	43,943	31,943
Conversion of 12/13 York Buildings	418,616	418,616
Buckshole and Shornden Reservoirs	113,935	113,935
Development of 311-323 Bexhill Rd (Aldi & Others)	5,063,796	5,063,796
Priory Street Multi Storey Car Park	145,049	145,049
Temporary Homelessness Accommodation	1,691,544	1,691,544
DSO Waste and Cleansing service - Depot Works & Equipment	2,870	2,870
Lower Bexhill Road	692,822	
Churchfields Business Centre	40,612	
Development / Furbishment of Lacuna Place	32,825	32,825
Cornwallis Street Development	30,000	30,000
Harold Place Restaurant Devt	5,250	5,250
Electric Vehicle Infrastructure	42,043	42,043
Priory Street Works (LED lighting/Gates/rewiring)	50,365	50,365
<b>Totals</b>	<b>10,103,864</b>	<b>7,854,744</b>

# Agenda Item 5



**Report to:** Cabinet

**Date of Meeting:** 6<sup>th</sup> September 2021

**Report Title:** Amendment to Financial Assistance Policy 2019 -2023

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

---

## Purpose of Report

To request Cabinet, agree an amendment to the current Financial Assistance Policy (2019-2023), to increase the discretionary disabled facilities grant assistance for internal stair lift only applications from £5000 to £10,000

---

## Recommendation(s)

That subject to the agreement of the leadership, the discretionary disabled facilities grant assistance for internal stair lift only applications is raised to £10,000

---

## Background

1. The Housing Renewal Team administer the Disabled Facilities Grant (DFG) funding available for eligible adaptations defined under The Housing Grants, Construction and Regeneration Act 1996. The Act defines not only what types of adaption can be made to a property but also specifies who is eligible for a mandatory DFG. This includes a means tested element to determine whether the applicant is required to make a contribution to the cost of the adaption
2. The Regulatory Reform (Housing Assistance) (England and Wales) Order 2002 broadened the scope for which DFG funding could be used. It provided a discretionary element (within certain criteria), as to how DFG funding could be used to further support people who required adaptations and support
3. It states under Regulation 4 that a local authority may not use additional provisions of discretionary assistance unless they have adopted a policy for that assistance and the public have notice of it. Our current financial assistance policy is on our website at <https://www.hastings.gov.uk/content/housing/improvement/454250/pdfs/HousingRenewalFinancialAssistancePolicy2019>
4. Our current financial assistance policy has a section which sets out our discretionary assistance criteria and the circumstances where discretionary DFG funding will be considered

5. We are currently in the processing of reviewing all of the discretionary elements of the disabled facilities grant funding. The purpose of this has two aims. The first to assess the current options on offer, how much they are utilised and whether they are making tangible difference to people's access to support and adaptations. The second aim is to consider other types of discretionary options that could be offered (within the remit of the legislation and guidance) and if so to incorporate them into an updated financial assistance policy
6. Work on this has begun with a Councillor workshop on 20<sup>th</sup> July 2021 where we began to discuss possible options. We are also looking at developing a communications plan so we can improve the information on our website and undertake some targeted promotion to relevant audiences about the funding and how people can access it. This process will take approximately 6 months to put in place. This is because once the options have been identified, work will need to be done to ensure the processes and procedures that underpin the application and auditing of eligibility are set up correctly and in line with legislative requirements

### **Means Testing of DFG Applications**

7. It is a legislative requirement under the mandatory DFG grant process that applicants who are not on a passporting benefit are means tested, to establish whether they are required to contribute towards the cost of the grant
8. Undertaking the means test element is a step in the overall DFG process which takes time to administer and is dependent on obtaining accurate and up to date financial information from the applicant and others in the household (if applicable). Until the client provides the information the grant cannot be progressed further. If it is determined a contribution is required from the applicant, then the DFG cannot proceed unless either the applicant or third party commit to providing the contribution required
9. Our current discretionary policy has an option for internal stairlift only applications to be non-means tested provided the total cost of the internal stairlift and installation is under £5000. The rationale for this was to reduce the waiting time for this type of adaption when people are waiting to be discharged from hospital and/or would be struggling in their current home due to not being able to safely access bedroom and bathroom facilities
10. Stair lifts are relatively straightforward and expedient to fit in comparison to other types of adaption and enable people to remain living in their current home. The reason for removing the means test for this type of adaption is that when compared with the cost of someone having to move as a result of not being able to make a contribution to the DFG, this is a more cost effective option, particularly when there is a shortage of suitable level access accommodation
11. We have not considered removing means testing for other types of adaption at this time. However, as part of the wider discretionary review, one of the options being considered is providing hardship assistance for those who are means tested and are required to contribute. This idea is being developed further to

ensure an equitable balance between those who would be unable to pay as a result of financial hardship and those able to pay but chose not to. A financial impact assessment will also need to be completed to look at the impact on the grant budget of such a change, in conjunction with our current discretionary options and other ideas we may wish to introduce

### **Reason for wanting to increase current discretionary limit on stairlifts**

12. In the interim one of the amendments we do wish to make is to increase the limit for non means tested, internal stair lift only applications from £5000 to £10,000
13. We have noticed due to the increased costs involved for curved stair lifts; some stair lift only applications are no longer meeting the discretionary £5000 funding limit. This means applicants must submit information on their financial circumstances and wait for a means test to be carried out. If it is found they need to contribute to the grant and are unable to do so, then they are left in a position where they cannot access the grant funding, or the adaptations needed. The lack of availability of level access accommodation means they are unlikely to find a property suitable for their needs in a timely manner. The result is they will continue to be at risk of falls in their current property, and should they do so, create further demand and financial burden on the NHS
14. We have looked at the costs of curved stair lifts and have found that over the course of three years the average cost of a curved stairlift has risen by 20.48% and the maximum cost has risen by 20.68%. This would mean that by 2024 the average cost of a stairlift will be approximately £6,926.00 and the maximum cost would be approximately £8,447.60

### **Financial Implications**

15. We would like to propose the current £5000 limit is raised to £10,000 to cover situations where internal curved stair lifts are required or more than one internal straight stairlift is required
16. The financial implications are; this would widen the eligibility for non means tested discretionary applications for stair lifts. This will result in a higher proportion of cases using funds for this purpose, meaning they are not available for other discretionary options. However, given the large budget allocation which was £ £2,056,655 in 21/22 (staffing and in-house OT costs to be deducted), and the fact we have been underspend over the last few years, this is not perceived to be an issue at this time
17. In 19/20 13 curved stairlifts were installed with the minimum cost being £4450 and the maximum cost being £6885. Therefore, the average cost of the 13 stairlifts for the year was £5332.31. The total spent was £69,580
18. In 20/21 9 curved stairlifts were installed with the minimum cost being £4125 and the maximum cost being £7000. Therefore, the average cost of the 9 stairlifts for that year was £5771.67. The total spent was £52,270. There was 1 case where a client mandatory DFG was refused due to means testing and due to the cost of

the stair lift exceeding the current policy limit of £5000, they were not eligible for a discretionary grant

19. Based on the above figures, if we estimate an average of 11 curved stairlifts eligible for a non means tested discretionary grant in a year with an average cost of £5771.67 (based on latest 20/21 figure. Would need to be adjusted for inflation), the amount spent on this discretionary option would be £63,488.37. However, it is important to note we cannot predict exactly the type of adaptations that will be requested.

### Timetable of Next Steps

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

Action	Key milestone	Due date (provisional)	Responsible
Amend Policy to reflect proposed change		When agreed in line with delegated authority	Sandra Thornton

---

### Wards Affected

All

### Implications

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

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

Climate change implications considered. **Yes**/No

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

Equalities and Community Cohesiveness - No

Crime and Fear of Crime (Section 17) - No

Risk Management - No

Environmental Issues - No

Economic/Financial Implications – Yes

Human Rights Act - No

Organisational Consequences - No

Local People's Views - No

Anti-Poverty - No

---

## **Additional Information**

### **Officer to Contact**

Officer Name Sandra Thornton

Officer Email Address sthornton@hastings.gov.uk

Officer Telephone Number 01424 451332

---

This page is intentionally left blank



# Agenda Item 9

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

Document is Restricted

This page is intentionally left blank