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Cabinet Agenda

Monday, 7 February 2022 at 6.00 pm

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

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Agenda Item 5

Report To:	**Budget Cabinet**
Date of Meeting:	**Monday 7 February 2022**
Report Title:	**Budget and Corporate Plan consultation response and draft Corporate Plan update 2022/23**
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 2022/23.

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.

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.

3. That all those who submitted views as part of the consultation process be thanked for their contributions.

Reasons for Recommendations

1. 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. The 2021/22 Corporate Plan update reflected several new activities, roles and responsibilities the Council took on to support our communities through the pandemic with our partners.

3. This report presents the draft 2022/23 Corporate Plan update (appendix A) and includes a summary of the consultation responses (appendix B) received on both this draft and the draft budget 2022/23.

Draft 2022/23 Corporate Plan Update

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

5. 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.

6. The draft Corporate Plan 2022/23 annual update is set out in appendix A.

7. This update continues to reflect the impact of the pandemic that has exacerbated those budgetary and resources challenges the Council faced pre pandemic.

8. The headline key activities proposed for 2022/23 include:

   a. Ongoing actions -including those paused or delayed by the pandemic or which were not expected to be completed in 2021/22

   b. New or changed activities that reflect refocussing to address resource and budgetary challenges.

9. 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 Council's performance management arrangements.

10. The Overview and Scrutiny Committee will continue to monitor performance quarterly against our milestones and measures and these meetings are streamed live on our website.

Consultation

11. 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.

12. The consultation closed at 9am on the 7th February 2022 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

13. The draft assessment of equality impacts on the service changes proposed is included with the draft budget proposals for 2022/23 within Appendix K2

Options

14. 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.

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Timetable of Next Steps

15. 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	1 st March 2022	Continuous Improvement and Democratic Services Manager
2022/23 performance milestones and measures integrated into performance dashboard	Dashboard refreshed.	1st April 2022	Continuous Improvement and Democratic Services Manager
2021/22 yearend performance data collated and used to propose draft Performance Indicator targets for 2022/23 for consideration by O&S and Cabinet	Cabinet report	July 2022	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 2022/23
Appendix B - Consultation feedback summary and responses

Officer to Contact

Officer Mark Horan (Continuous Improvement and Democratic Services Manager)
Email mhoran@hastings.gov.uk
Tel 01424 451485

Draft Corporate Plan update and draft Budget Consultation feedback summary

Hastings Area Chamber of Commerce

16. Councillors Forward and Barnett attended the chamber meeting on 27 January and presented the updated corporate plan and draft budget. The Assistant Director for Finance and Revenues also contributed responses where appropriate.

17. Councillors Forward and Barnett attended the chamber meeting on 27 January and presented the updated corporate plan and draft budget. The Assistant Director for Finance and Revenues also contributed responses where appropriate.

a) Question: Please can you comment on the £6 million reserves and how these maybe replenished?

Response: Councillor Barnett responded to say that the Council's Chief Finance Officer advises that the Council should not fall below this threshold. One way to replenish these is to sell off Councill assets and use the receipts to avoid borrowing costs, thus freeing up the revenue streams - but any such sales would need to be very carefully considered.

b) Comment/Question: Chamber members expressed some frustration with the planning process at HBC… What can be done to make the planning process easier to enable businesses to expand, grow and recover from the pandemic?

Response: Councillor Barnett suggested the need to grow and retain our own planners in house to meet demand. There is a national shortage of planners, and this makes recruitment and retention challenging. Councillor Barnett urged Chamber members to feed into the Council's developing new Local Plan, so their views and ideas can help influence and shape this document and local policy where appropriate.

Councillor Forward gave an open invite to the Chamber members to meet with the political leadership and key officers to identify and work to resolve any specific planning relating issues causing frustration.

c) Questions: How do we help regenerate the town and support the business community in terms of inward investment…We understand CHART funding is coming to an end…what might come next?

Response: Councillor Barnett responded that the CHART project had another year to run and this is demonstrating good partnership working between private companies and the voluntary sector through training and skills provision. However, this will stop and leave a gap. This leaves the challenge of how to address the skills gap having lost the University in the town, with schools and other education partners struggling to recover from the pandemic. The Council will with partners need to arrive at a local solution as there is currently a lack of national guidance, steer, or resource. The Council is open to new ways of working including its approach to regeneration as a whole. Councillor Barnett is keen to hear from the business community in this regard and similar to Cllr Forward, offered a meeting to take this forward with those Chamber members interested.

d) Question: What can be done about the Queensway Gateway debacle leaving access problems for the Ridge and Conquest hospital and how can the Council put pressure on Seachange to improve the situation?

Response: Councillor Barnett responded that he now sits on the Seachange Board as the HBC representative. He has asked that details should be shared about the proposed solution and that as a result a press release was issued recently.

Councillor Forward echoed the lack of clear information available to the public and concurred that what had been originally promised is seemingly not what is to be delivered.

The Council's Chief Finance Officer advised that the Council originally held the freehold to the car showroom site which was sold to Seachange in order for it to develop the road, reiterating the need for both a practical short- and long-term solution.

The Chamber representatives proposed that both East Sussex Country Council and HBC assume a more forceful role on the Seachange board to ensure a solution and keep the public appraised.

e) Question: What role does HBC take in resolving wider transport issues?

Response: The Council is keen to intervene and work collaboratively on wider transport issues. Councillor Barnett is in talks with the County Highways department to remodel traffic flows through the town centre to ensure this space is more people and business friendly. Mention was made of the pending delivery of cycle paths that are very welcome but delivered too slowly. The Council works closely with Rother District to lobby for transport improvements and has recently put forward joined proposals for bus planning improvements. A better bus service has been identified as a key priority to councillors on the Hastings and Rother Transport Advisory Group (HARTAG) by constituents.

f) Question: What will HBC do to facilitate improvements to the Town Centre and what is the Council's view on the potential second term of the Hastings Business Improvement District (BID)?

Response: Councillor Barnett outlined the cultural shift away from the traditional retail offer towards online shopping, accelerated by the pandemic. He suggested that in discussions with those responsible for the management of Priory Meadow and the previous Debenhams building that there is an appetite to diversify the town centre offer. Exciting proposals for the development of a gym and jobs centre in the old New Look building and a play/leisure offer in the previous Debenhams building were given as examples.

In terms of voting on the potential second term of the Hastings BID, Councillor Barnett suggested that the vote is a chance for businesses to have their say on this and the Council will support whatever businesses decide.

The Council leadership conveyed that they were keen to have further dialogue with the business community to work together to transform the town centre and are open to continued and ongoing dialogue with regards to any areas of interest Chamber members wish to raise.

Hastings Youth Council

18. Councillor Forward was scheduled to meet the Youth Council on the 20th of January in the Council Chamber. Unfortunately, this meeting did not take place and it was not possible to schedule a further meeting within the consultation timeframe.

19. The Youth Council were forwarded the presentation and invited to comment on the drafts.

20. The Leader also extended an invitation to meet with the Youth Council to pick up on any issues they wished to discuss throughout the year.

21. At the time of writing the Council has been advised that the Youth council intend to submit a written response. As with any response received after the publication deadline of this report and within the consultation timeframe, these will be summarised and published as a supplementary item for Cabinet consideration.

Staff and Management Forum (SMF)

The Staff and Management Forum met with the Leader, Deputy and Senior Officers on 27th January. Feedback from this meeting will be included with the consultation information to be tabled and published as a supplementary item.

Hastings Community Network (HCN)

22. Councillor Forward and Barnett attended a meeting of the Hastings Community Network on 28 January. Questions, comments and responses will be published as a supplementary item to be tabled at Budget Cabinet on the 7th of February as the meeting took place on the same day as agenda publication.

Budget Overview and Scrutiny Committee

23. A meeting of the Council's overview and scrutiny committee was held on 26 January, to consider the draft corporate plan update and budget.

24. 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/g4537/Printed%20minutes%2026th-Jan-2022%2018.00%20Overview%20and%20Scrutiny%20Committee.pdf?T=1

25. The draft corporate plan update has been amended to reflect the desire of both the Overview and scrutiny Committee and lead Councillors at the meeting to continue to lobby to keep as many specialist units at Conquest Hospital as possible. This is now included in the last bullet in Appendix A (draft Corporate Plan update 2022/23).

Other Consultation responses

26. The council received a range of consultation responses via the council's consultation e mail address outlined below.

27. A response was received suggesting more emphasis could be placed in the corporate plan update with regards to the Council championing, leading and representing the local community where appropriate.

28. These comments are noted and the council's leadership, partnership and place shaping intentions are covered in the final bullet under the 'Ensure the council survive and thrive into the future' theme in the draft corporate plan update.

29. A response was received that expressed personal views on a range of areas with suggestions received on tackling homelessness, retaining the unique character of the town and keeping it safe.

30. These comments have been noted and shared with the appropriate service areas.

31. A response was received suggesting that exploring the sales of civic regalia would be a mistake.

32. In response, budgetary challenges facing the Council require reviewing our use of all assets and resources, to ensure the Council can continue to provide key services to residents, as outlined in the budget report.

33. Responses were received with regards to the Link Road and proposed housing development in Harrow Lane, Bulverhythe and on part of White Rock Gardens with the suggestion that these are at odds with Council aspirations to minimise environment and climate harm in all we do.

34. In response the Council must carefully balance meeting housing needs with climate aspirations and seeks to ensure these considerations are addressed as part of the business cases for associated developments.

35. A response was received in support of the vision set out for the town outlined in the original corporate plan 2020-24.

36. A response was received that suggested there was: little mention of public consultation across the aspirations in the corporate plan and budget documents, with a lack of emphasis on supporting local business; or specific funding to support drug and alcohol addiction, that if funded could reduce costs elsewhere.

37. In response, the Council consults throughout the year seeking local views on existing and new initiatives as well as more generally with regards to the draft corporate plan and budget consultation. Much of the Council's recent role in supporting local businesses has involved disseminating business grants in response to the pandemic and supporting them safely reopen and work safety. These are outlined in the new key activities section of the corporate plan update.

38. In terms of supporting Drug and Alcohol addiction support, these are funded by the Council through the Rough Sleepers Initiative and more recently through some additional public Health funding. The Council will shortly be reviewing arrangements

for partnership working with the Street Community which includes Drug and Alcohol support services.

39. A response was received requesting to flag work the Council is undertaking on securing the long-term management of Hastings Country Park, ongoing work to ensure a first-class environmental hub at the Bale House visitor centre and to encourage walking and cycling across the town

40. Response – plan updated to reflect said commitments.

41. A response was received suggesting the Council consider adapting empty homes for use as affordable rented housing and the need to regulate to minimise second homes and Air B & Bs in preference for affordable long-term accommodation.

42. Although the Council has reduced specific officer capacity to focus on empty homes in previous budget rounds, officers continue to work to secure additional funding through the rough sleeper accommodation programme, other Homes England initiatives and through Town Living. The Council also continues to work with partners such as YMCA to signpost and feed into their empty homes strategies.

43. The Council currently has little scope through legislation to tackling the use of Air B & Bs and notes the points made with regards to empty homes. Should capacity allow, the council will review the approach other councils have taken to second homes (e.g. Cornwall) to explore associated good practice.

44. A response was received highlighting the need for focussed inward investment in the likely absence of Government assistance given the ongoing costs of the pandemic. This response acknowledges the challenge of unemployment, poverty and homelessness and implies that ‘caring policies and investment in homeless’ could be a ‘drawing in’ factor.

45. The response continues suggesting a need to encourage investment in the town centre and seafront and prioritise street cleaning in these areas. It is felt that: the seafront attractions such as the fountains could be improved by coloured lighting to improve their attractiveness and Instagram potential; that White Rock Theatre funding reductions should be reconsidered; the need for closer working with the police and reintroduction of CCTV be reviewed. The response concludes suggesting the Council better capitalise on the move out of cities and focus on investment and prosperity, rather than a ‘managed decline.’

46. Response – The Council notes these points. Through schemes such as our Town Deal the Council continues to attract inward investment and encourage prosperity while managing a challenging financial situation.

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Draft Corporate Plan key activities update for 2022/23

Tackling homelessness, poverty and ensuring quality housing

- 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.

- Review our council tax reduction scheme by November 2022.

Continue our programme to maximise delivery of much needed new, affordable and retrofitted homes in our town:

- Mobilise and monitor the pipeline of developments with partners to increase the supply of affordable rented homes by 500 units over the next 5 years.
- Progress developments on council owned land to meet our affordable homes target.
- Improve access to settled housing for homeless people through our social lettings agency and landlord incentive programmes.
- Continue our Housing First programme and explore new funding and partnership opportunities to increase the range of accommodation options for people with multiple and complex needs.
- Utilise available grant funding aimed at reducing fuel poverty and improving energy efficiency by promoting and referring residents to the Warm Home Check Service.

- Develop and adopt a new Housing Strategy and review key policy documents, including the Social Housing Allocation scheme.

- Continue to review our temporary and emergency accommodation options, ensuring that suitable provision is available and achieve best value, 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.

- 80 homes adapted through Disabled Facility Grant funding in 2022/23.

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.

- Seek Government guidance on the implementation of relevant sections of the Environment Act 2021, including food waste, enhancing the garden waste scheme and reviewing the Technically Environmentally and Economically Practicable (TEEP) assessment on our recycling service and progress accordingly.
- 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.
- Review bulky waste collection arrangements in order to reduce the cost of fly tipping.
- Maintaining our three green flag accreditations for our parks (St Leonards Gardens, Alexandra Park & Hastings Country Park) Park and deliver service and safety improvements in Alexandra Park in partnership with community organisations.

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:

- Continue supporting businesses to comply with rules (normal and Covid 19 related) as they seek to return to business as usual during 2022/23.
- Continue supporting local businesses exporting products of animal origin which require export health certification following from EU-exit.

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

- Continue to explore options for delivery of succession arrangements following the end of the ground's maintenance contract in November 2023.
- Implement the succession arrangements for the ending of (i) the Public Convenience Cleaning contract, and (ii) the Building Cleaning contract, from April 2022.
- Complete the statutory safety improvement works to meet Environment Agency requirements at the Buckshole reservoir.
- Consult on and publish new Cultural Regeneration Strategy during 2022/23.

- 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.

2022/23 milestones include:

- Undertake survey of East Hill Cliff Railway and determine future programme, budget implications and expected downtime for works arising.
- Others TBD for Museum.

- Promote better and safer walking and cycling routes around town to encourage active and healthy lifestyles.
- Work with partners to develop a first-class environmental hub and resource centre at the Bale House straw bale visitor centre at Hastings Country Park Nature Reserve

- Work with partners to secure the long-term management of Hastings Country Park Nature Reserve and Combe Valley Countryside Park

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

2022/23 Milestones include:

- Completion of Regulation 19 consultation by end of quarter 2.
- Submit draft Local Plan to Secretary of State by end of quarter 3.
- Prepare for examination in public during 2022/23 (subject to decision by the Planning Inspectorate).

- Asset Management and Capital programme reviewed and 2022/23 plans and actions refreshed and delivered accordingly.
- 2022/2023 Milestones include:
- Churchfields Business Centre – construction complete by end of quarter 3.
- Cornwallis – planning consent granted by end of quarter 1 and construction commenced by end of quarter 3.
- Harold Place – planning consent granted & legal agreement completed by end of quarter 1 and construction commenced by end of quarter 3.

Minimising environment and climate harm in all that we do

- Complete our actions in the climate change strategy and action plan for 2022/2023 having reviewed lessons learned and opportunities in response to Covid 19.

Examples for 2022/23 include:

  - Development of a refreshed strategy and action plan for October 2022.
  - Respond to the Environmental Act with Sussex partners to consider local nature recovery strategies as required, informed by results of Local Plan commissioned research.
  - Work collaboratively with regional and county partners to respond to the climate emergency and draw down associated funding.
  - Supporting net zero ambitions of all the Towns Fund projects.
  - Solar for Business – commence installations subject to fiscal due diligence. minimum target 5 during 22/23 offsetting XXX tonnes (TBD) of Co2.
  - Building on the delivery of the Wayfinding and DestiSmart projects continue to take opportunities to move around the town on foot, by cycle (active travel) and through sustainably powered vehicles (subject to movement and access, garden town and skills development 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, including incorporating relevant policy within the emerging Local Plan and via Towns Fund projects such as the garden town and green skills initiatives.

- Continue to 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

- Having successfully bid for 24.3m Town Deal Funding, ensure delivery of the programme, keep the Town Board and other stakeholders updated and work to lever in any further private investment or other government funding streams as possible e.g. Levelling Up funding.
  Examples for 2022/23 include supporting:
    - Towns Fund project leads in developing robust business cases and deliver their projects.
    - the Town Deal Board to continue to champion the programme and maximise impact.
    - the 4 Town Deal accelerated project to successfully complete works, this includes The Source Park Courtyard, East Sussex College Group Station Plaza works, EV charging points and works to the Alley in the Heritage Action Zone area.
    - Submit a Levelling Up bid subject to new published guidelines and timetable.
- Deliver the Connecting Hastings and Rother Together projects to December 2022 with the programme closing in June 2023
- Progress the development of West Marina project.
  Milestones for 2022/23 include:
    - Developer undertakes technical and survey work and consults local groups (quarters 1-3).
    - Developer commences master planning (quarter 4).

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 2022/23.

Further improve our performance reporting arrangements using our dashboard on our website to help citizens track how we are doing by:

- smartening existing targets.
- better integrating performance, risk and finance reporting.
- publishing an action plan for the delivery of our corporate standard, subject to capacity.

- Integrate lessons learned and continue to realise benefits from the digital first programme and maintaining on-line access to services, subject to capacity and budget.
- Facilitating good programme and project management practice across the Council’s key areas of work, subject to capacity and budget.
- Lead and work with partners to enable citizen-centred services that tackle health inequalities, improve quality of life and benefit the breadth of our local community.

New key activities *(i.e. not previously included in our 2020-24 Corporate Plan)*

On-going management to:

• Work in partnership with NHS, public health and the community to support the NHS COVID vaccination programme with communication and engagement activities to maximise uptake In Hastings across all community groups. • Facilitate and support ESCC public health in providing testing facilities for residents of Hastings. • Undertake prevention control and manage outbreaks of COVID-19 cases in Hastings. • Work with the Community Hub partners as required to support residents affected by COVID.
Identifying and implementing learning from pandemic: • Review pandemic working arrangements balancing needs of service delivery and staff welfare with environmental benefits of reduced travel to inform the development of a hybrid working culture efficiently using office space. • Ensuring provision of essential ICT infrastructure to embed hybrid working for staff. • 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 the on-going assurance programme of business support grants allocated as a result of Covid 19 (until March 2022). • Supporting the arts, heritage, culture, leisure and tourism sectors and encourage wellbeing, healthy and active lifestyles (Milestones TBD). • Continuing to work to build, sustain and retain resources in the town, for example – by lobbying to keep as many specialist units at Conquest Hospital as possible.

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Report To:	**Cabinet**
Date of Meeting:	**7 February 2022**
Report Title:	**Treasury Management, Annual Investment Strategy and Capital Strategy 2022/23**
Report By:	**Peter Grace** **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 £66.06 million of external debt (as at 31 March 2022), and investments which can fluctuate between £15m and £30m in the year. The level of debt is set to increase to some £90m by 2023/24.

Recommendations

Cabinet recommend to Budget Council that:

A. The Council approve the Treasury Management Strategy, Minimum Revenue Provision (MRP) Policy, Annual investment Strategy and the Capital Strategy.

B. The strategies listed are updated as necessary during 2022/23 in the light changing and emerging risks and the Council’s evolving future expenditure plans.

C. 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 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), previously adopted by the Council, was released to take account of the more commercialised approach being adopted by councils and the enhanced levels of transparency required. The Code has represented 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. The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity and the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will result in a loss to the General Fund balance.

4. 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"

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

6. The Audit Committee considered a similar report and the strategies at its meeting on the 13 January 2022 and after careful consideration resolved to recommend the policies and strategies to Cabinet and Council.

Changes to the CIPFA 2017 Prudential and Treasury Management Codes

7. CIPFA has again been looking at revising the Prudential Code and Treasury Management Code and undertaken a number of consultations. These follow "ongoing concerns over local authority commercial investments", CIPFA said.

8. The Prudential Code is used to ensure that capital finance decisions are sustainable, while the Treasury Management Code sits alongside to provide a framework for risk management.

9. Following the conclusion of the consultations CIPFA published revised codes on 20th December 2021 and has stated that formal adoption is not required until the 2023/24 financial year. This Council has to have regard to these codes of practice when it prepares the Treasury Management Strategy Statement and Annual Investment Strategy, and also related reports during the financial year, which are taken to Full Council for approval.

10. The revised codes will have the following implications:

    - A requirement for the Council to adopt a new debt liability benchmark treasury indicator to support the financing risk management of the capital financing requirement;
    - Clarify what CIPFA expects a local authority to borrow for and what they do not view as appropriate. This will include the requirement to set a proportionate approach to commercial and service capital investment;
    - Address ESG issues within the Capital Strategy;
    - Require implementation of a policy to review commercial property, with a view to divest where appropriate;
    - Create new Investment Practices to manage risks associated with non-treasury investment (similar to the current Treasury Management Practices);
    - Ensure that any long term treasury investment is supported by a business model;

- A requirement to effectively manage liquidity and longer term cash flow requirements;

- Amendment to TMP1 to address ESG policy within the treasury management risk framework;

- Amendment to the knowledge and skills register for individuals involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each council;

- A new requirement to clarify reporting requirements for service and commercial investment, (especially where supported by borrowing/leverage).

11. In addition, all investments and investment income must be attributed to one of the following three purposes: -

    Treasury management
    Arising from the organisation's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments.

    Service delivery
    Investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is "either related to the financial viability of the project in question or otherwise incidental to the primary purpose".

    Commercial return
    Investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to a council's financial capacity – i.e., that 'plausible losses' could be absorbed in budgets or reserves without unmanageable detriment to local services. An authority must not borrow to invest primarily for financial return.

12. As the Treasury Management Strategy Statement and Annual Investment Strategy deals solely with treasury management investments, the categories of service delivery and commercial investments will be dealt with as part of the Capital Strategy for 2023/24.

13. The revisions will strengthen both codes with a greater focus on climate and environmental, social and governance risks when making financial decisions. There is also guidance on CIPFA's stance that borrowing for investment return, or debt for yield, is an imprudent activity that puts public money at undue risk.

14. The key changes clarify and update CIPFA's position on local authority commercial investment. The revised code emphasise that any borrowing made solely for the

purpose of financial return constitutes imprudent activity, while also taking into account the realities that accompany regeneration activities.

15. To ensure local authorities can implement the code changes in a smooth and orderly fashion CIPFA is proposing a soft implementation in 2022/23. CIPFA will expect full implementation by 2023/24. Further details of the changes to the Prudential Code and Treasury Management Code are discussed in the Treasury Management Strategy.

16. The CIPFA Code of Practice on Treasury Management (2017) was adopted by this Council in February 2018. The Council will be asked to adopt the revised 2021 addition of the Code, with the aim of achieving full compliance, for 2023/24.

Borrowing / Borrowing Levels

Investment guidance

17. 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.

18. 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

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

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

21. 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.

22. 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.

23. 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.

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

Reporting Arrangements

25. 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,

26. The 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.

27. 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

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

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

30. 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.

31. 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.

32. 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.

33. 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

34. 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.

35. 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.

36. 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

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

38. 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.

39. 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.

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

41. 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. unexpected expenditure demands, 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.

42. 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 Group) ratings advice.

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

Economic/Financial Implications

44. 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 £66.1m by the end of March 2022 (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

45. 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 Capital Strategy.

46. 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.

47. 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.

48. 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 new and existing members/ officers	For Year Mid-Year Review and prior to setting strategies for the forthcoming year Report	July 2022 & January 2023	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 (2021)
CIPFA - The Prudential Code (2021)
Budget Report - Cabinet 7 February 2022

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Draft Treasury Management Strategy (TMS) for 2022/23

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 the requirement to produce a Capital Strategy – also for determination by full Council.

3. The Treasury Management strategy covers two main 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, DLUHC MRP Guidance, the CIPFA Treasury Management Code and DLUHC Investment Guidance.

5. The strategy for 2022/23 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 Group.

Revisions to the Prudential Code and Treasury Management Code

6. In December 2017, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes. These require all local authorities to prepare a Capital Strategy which is to provide the following: -

1. a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
2. an overview of how the associated risk is managed; the implications for future financial sustainability.
3. The implications for future financial sustainability.

7. CIPFA is again looking at revising the Prudential Code and Treasury Management Code and is at an advanced stage of agreeing the new Codes. On 21 September 2021 CIPFA began its stage 2 consultation phase for measures to strengthen both codes with the consultation ending on 16th November 2021. These follow "ongoing concerns over local authority commercial investments", CIPFA said.

8. The Prudential Code is used to ensure that capital finance decisions are sustainable, while the Treasury Management Code sits alongside to provide a framework for risk management. Measures proposed in the consultations include how to define proportionate commercial investment in the context of local authority regeneration work.

9. The proposed revisions will strengthen both codes with a greater focus on climate and environmental, social and governance risks when making financial decisions. There is also guidance on CIPFA's stance that borrowing for investment return, or debt for yield, is an imprudent activity that puts public money at undue risk.

10. The key changes being brought forward in these consultations clarify and update CIPFA's position on local authority commercial investment. The revised code will emphasise that any borrowing made solely for the purpose of financial return constitutes imprudent activity, while also taking into account the realities that accompany regeneration activities.

11. For the Treasury Management Code the key changes impact on Treasury Management Practices and Treasury Indicators:

    - TMP1 Risk Management
    - TMP2 Performance Management
    - TMP6 Reporting Requirements and Management Information Arrangements
    - TMP8 Cash and Cash Flow Management
    - TMP10 Training and Qualifications

12. The codes advice local authorities that if they currently have a long-term position – this could be in property or long-term financial instruments – they should consider the benefits of exiting these positions and the resource implications of that rather than incurring further borrowing. Selling these investments and using the proceeds to reduce debt does, however, reduce treasury risks on both sides of the balance sheet and is therefore an option that should be kept under review, especially if new long-term borrowing is being considered. However, the Council's investments are in respect of its Reserves and using them to fund capital expenditure is not currently an option. Where Council's have capital receipts that they can invest long term or use to fund capital expenditure then there is a decision to be made.

13. At the time of writing CIPFA had not yet concluded its review and released final updated versions of the Prudential Code or Treasury Management Code. To ensure local authorities can implement the code changes in a smooth and orderly fashion CIPFA is proposing a soft implementation. CIPFA will expect full implementation by 2023/24.

Key Changes to the Strategy

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

    i. The Council has taken on a relatively small amount of additional borrowing in the last 12 months in respect of the Capital programme. The level of capital expenditure has been lower than forecast as a result of Covid-19 and borrowing has remained well within the operational and authorised boundaries.

       The Capital expenditure plans of the Council are expected to involve more borrowing again in 2022/23 and the years ahead. The borrowing limits proposed in the strategy are those previously agreed when determining the budget for 2020/21. If the business plans for the Town Deal projects involve additional borrowing by the council these limits will need to be reviewed.

    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 more monies for potentially longer periods given the further potential calls on reserves. The monies in these funds can still be obtained quickly should the need arise.

Balanced Budget

15. 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 2022/23 TO 2024/25

The Council's Capital Position (Prudential Indicators)

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

17. 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.

18. 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

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

	Original 2021/22 £'000s	Revised 2021/22 £'000s	2022/23 £'000s	2023/24 £'000s	2024/25 £'000s
Gross Capital Expenditure	22,463	7,961	21,746	13,229	8,141
Net Capital Expenditure	12,781	3,674	14,854	9,173	6,085
Financing from own resources	0	50	5,234	73	50
Borrowing Requirement	12,781	3,624	9,620	9,100	6,035

20. In terms of net cost, the 2021/22 programme has been revised to £3,647,000 from £12,781,000. The 2022/23 programme amounts to £14,854,000 net of grants and contributions (£21,746,000 Gross).

Capital Expenditure – Financing

21. 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.

22. The larger schemes in the capital programme which are expected to require financing in 2022/23 from borrowing are:-

- Cornwallis Street Development (£6.835m)
- Churchfields Business Centre (£2.195m)
- Harold Place Restaurant Development (£1.613m)
- Bexhill Road South (£1.075m)
- Mayfield E – Housing (£1m)
- Buckshole Reservoir (£666k)
- Energy – Solar Panels (£538k)
- Priory Meadow Contribution to Capital Works (£250k)
- Pelham Crescent Building and Road Works (£233k)
- Lacuna Place (£141k)
- Castleham Industrial Units – Roofing (£140k)
- MUGA refurbishments (£80k)
- Playground upgrades (£38k)

Impact on the prudential indicators

23. 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	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**
	£'000	£'000	£'000	£'000	£'000
Debt	110,000	110,000	110,000	110,000	110,000
Other long term liabilities	5,000	5,000	5,000	5,000	5,000
TOTAL	115,000	115,000	115,000	115,000	115,000

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

Operational Boundary	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000
Debt	105,000	105,000	105,000	105,000	105,000
Other long term liabilities	5,000	5,000	5,000	5,000	5,000
TOTAL	110,000	110,000	110,000	110,000	110,000

25. 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'.

26. 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).

27. 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.

28. 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.

29. There are no recommendations to change the limits for 2022/23 given the current Capital programme.

PROSPECTS FOR INTEREST RATES

30. On 16 December 2021 the Bank of England (BOE) Monerty Policy Committee (MPC) met and voted 8-1 in favour of increasing interest rates from 0.1% to 0.25%, the first rise in rates in more the three years. This 0.15% increase still leaves rates close to historic lows. Latest figures show that the cost of living rose by 5.1% in the year to November, well above the BOE's 2% inflcation target and is expected to peak at 6% in the spring – three times the target rate. Despite worries over new variants suppressing economic growth the MPC clearly thought that inflation was of greater concern.

31. The Council has appointed Link Group as treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The table below provides an overview (please also see Appendix 2).

Link Group Interest Rate View 8.11.21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.30	0.40	0.50	0.50	0.50	0.60	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.10	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.50	0.60	0.70	0.70	0.80	0.90	1.00	1.10	1.20	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.50	1.50	1.60	1.60	1.70	1.70	1.70	1.80	1.80	1.80	1.90	1.90	2.00	2.00
10 yr PWLB	1.80	1.90	1.90	2.00	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30	2.40
25 yr PWLB	2.10	2.20	2.30	2.40	2.40	2.40	2.50	2.50	2.60	2.60	2.60	2.60	2.70	2.70
50 yr PWLB	1.90	2.00	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.40	2.40	2.50	2.50

32. Although the figures in the table above were complied by our advisors prior to the 16 December increase in rates they have accurately forecast this rise.

33. 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.

34. As shown in the forecast table above, the forecast for Bank Rate now includes five increases, one in December 2021 to 0.25% (now happened), then quarter 2 of 2022 to 0.50%, quarter 1 of 2023 to 0.75%, quarter 1 of 2024 to 1.00% and, finally, one in quarter 1 of 2025 to 1.25%.

35. It should also be borne in mind that Bank Rate under 1% is both highly unusual and highly supportive of economic growth.

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

BORROWING STRATEGY

37. 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

38. The Council's forecast debt position for 31 March 2022, if no further borrowing is taken for the rest of the financial year, as at 17 January 2022, amounted to £66.06m (See Table 1 below).

Table 1 - Borrowing

Debt	1 April 2021 Principal	Start Date	Maturity Date	31 March 2022 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)	£156,196	21/03/2016	20/03/2026	£125,981	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	11/05/2036	£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	24/06/2028	£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)	£6,889,020	01/06/2017	01/06/2057	£6,772,356	2.53%
PWLB (Annuity)	£7,987,864	22/11/2017	22/11/2057	£7,860,481	2.72%
PWLB	£2,000,000	12/12/2018	12/06/2028	£2,000,000	1.98%
PWLB (Annuity)	£3,881,544	13/12/2018	13/12/2058	£3,820,026	2.55%
PWLB (Annuity)	£2,426,128	31/01/2019	31/01/2059	£2,387,758	2.56%
PWLB (Annuity)	£4,320,356	31/01/2019	31/01/2069	£4,273,795	2.56%
PWLB (Annuity)	£9,121,014	20/03/2019	20/03/2059	£8,976,150	2.54%
PWLB (Annuity)	£4,710,543	02/09/2019	02/09/2069	£4,649,533	1.83%
PWLB	£0	13/01/2022	13/01/2062	£2,000,000	1.89%
Total Debt	**£64,689,926**			**£66,063,342**	**2.74%**

39. The Council has loaned money to other organisations. Three longer term loans are outstanding. Namely:

Table 2 - Loans to Other Organisations

3rd Party Organisations	Rate/ Return (%)	Start Date	End Date	Principal Outstanding as at 31/03/2022 £	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	£125,981	Annuity
The Source	2.43%	17/12/2015	16/12/2024	£10,730	Annuity
			Total	**£1,924,945**	

40. 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.

41. The above table excludes the loan to Hastings Housing Company Ltd. As at 31 December 2021 the Capital loan was £5,489,398. The company has fully repaid the revenue loan with the exception of arrears due on the interest for the capital loan.

Borrowing Limit – Capital Financing Requirement (CFR)

42. 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.

43. The Council has at the time of writing some £64.1m of PWLB debt. To borrow for the remainder of the 2021/22 capital programme i.e. up to the projected level of the CFR (£74.7m) it would need to borrow a further £10.6m by the end of March 2022. The Capital Financing Requirement has increased significantly over the last few years. It is expected to reach some £94.7m by 2023/24 (based on the capital programme).

44. 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 2021/22 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.

45. 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.

46. 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).

47. The Council had achieved a near fully funded position at the start of 2020/21 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. 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.

48. 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 had 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.

49. However during 2020/21 and much of 2021/22, interest rates looked set to remain low for a period of time and thus there was a stronger case now to not borrow externally until we really had to i.e. temporarily use existing resources. This was the strategy that was proposed for 2021/22 (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.

50. For 2021/22 the Council started the year with internal borrowing of £7.994m - cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure to fund the Capital expenditure. With interest rates now forecast to increase gradually over the coming years, the Council is now looking to externalise some of this internal borrowing to lock in borrowing at historically low interest rates. This process has already begun with the Council taking a new £2m, 40 year maturity loan from the PWLB on 13th January 2022.

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).

Table 3 - Capital Financing Requirement (CFR)

CFR	2020/21 (unaudited) £'000s	2021/22 (Rev Est) £'000s	2022/23 (Estimate) £'000s	2023/24 (Estimate) £'000s	2024/25 (Estimate) £'000s
CFR-Opening	66,372	72,683	74,689	82,752	89,869
Less MRP	(1,500)	(1,668)	(1,741)	(2,006)	(2,327)
Plus New Borrowing	7,811	3,674	9,804	9,123	6,035
CFR Closing	**72,683**	**74,689**	**82,752**	**89,869**	**93,577**

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

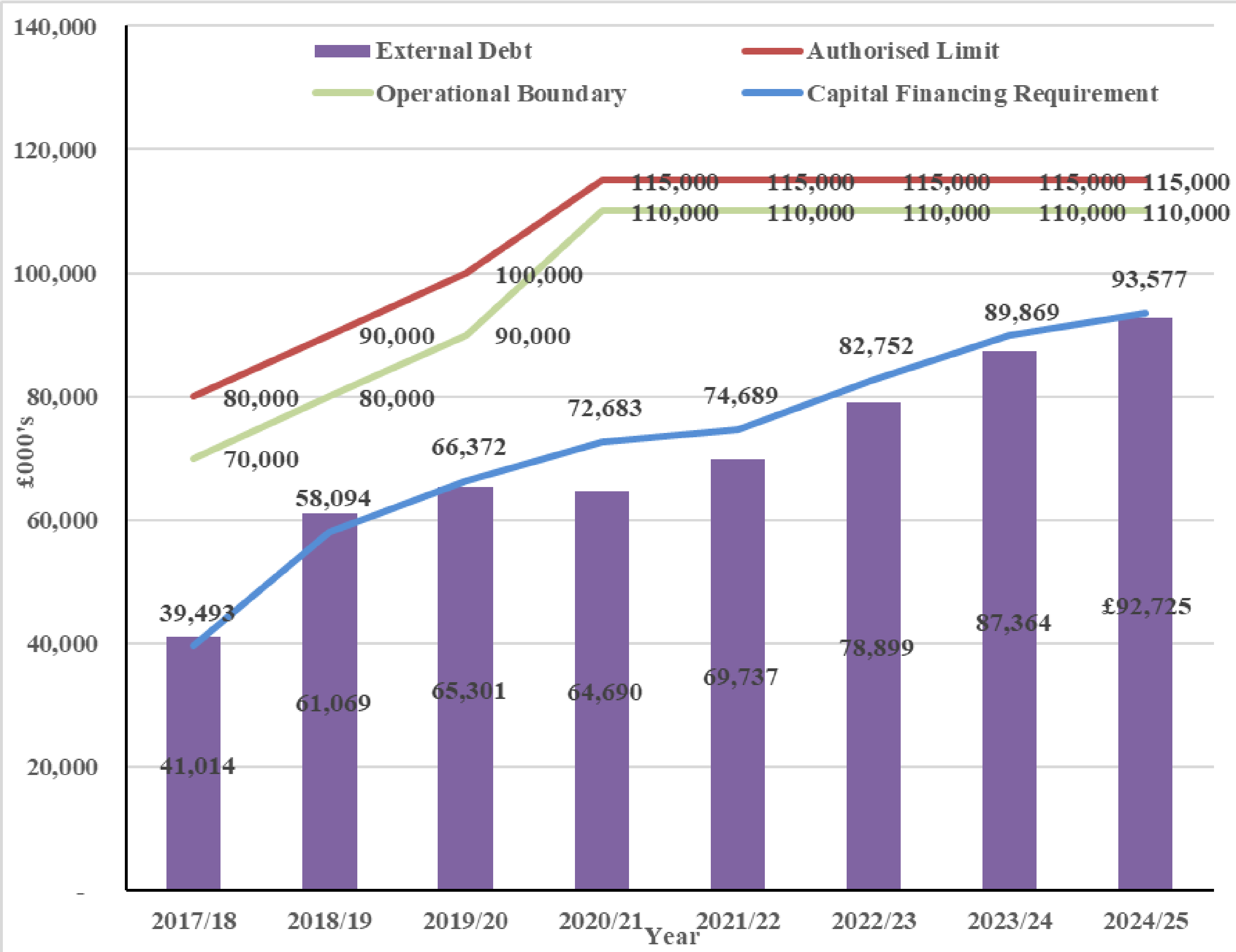
Table 4 - Council's Projected Gross Borrowing Position Against the CFR

Internal Borrowing	2019/20 Actual £000's	2020/21 Actual £000's	2021/22 Estimate £000's	2022/23 Estimate £000's	2023/24 Estimate £000's
Capital Financing Requirement (CFR)	66,372	72,683	74,689	82,752	89,869
External Borrowing	65,301	64,690	69,737	78,899	89,869
Net Internal Borrowing	**1,071**	**7,994**	**4,952**	**3,853**	**0**

52. The Council is now (17 January 2022) maintaining an under-borrowed position.

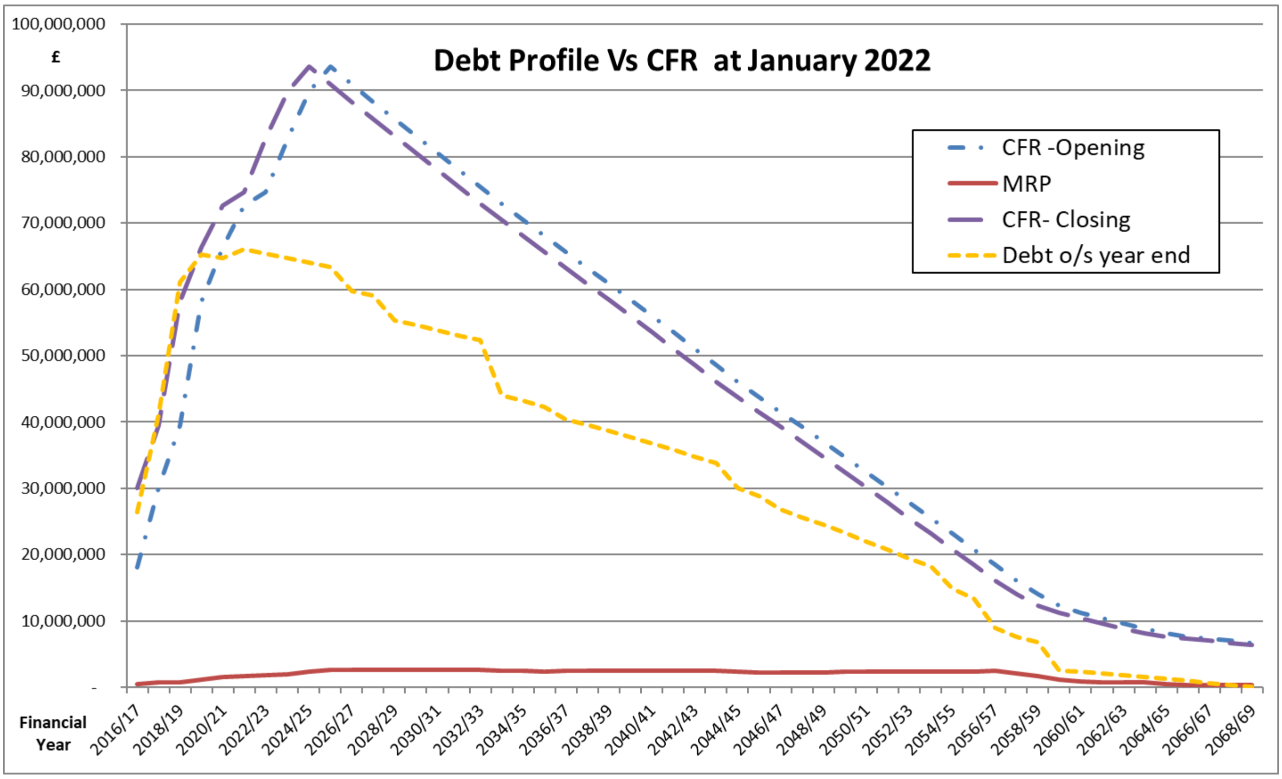
53. Borrowing activity is constrained by prudential indicators particularly the CFR, and by the authorised limit. The Council's long term borrowing must only be for a capital purpose. This essentially means that the Council is not borrowing to support revenue expenditure.

Table 5 - External Debt, Authorised Limits and CFR Projections



Debt Profile and CFR

54. The graph below shows how the CFR (blue and purple lines) reduce over time as MRP payments are made. The yellow line shows the level of external debts reducing as principal repayments are made (see debt maturity graph below).



55. The graph above is based on the current known capital programme up to 2024/25. If further capital expenditure is finance by borrowing, which is highly likely, then this will push the trajectory of the graph out into further years and increase future MRP payment.

Borrowing – Overall Limits

56. 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.

57. 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.

Borrowing – Certainty Rate

58. 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 annually – for as long as it remains available.

Borrowing – Change of Sentiment

59. 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.

Borrowing – Timing

60. 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 (internal 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.

61. The Council has previously sought to achieve near full financing of the Capital programme via external debt over recent 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. For the last year a higher level of internal borrowing was adopted to temporarily finance long life assets. Currently, with interest rates looking likely to increase (although remaining at historically very low levels) the Council is considering externalising some of the internal debt to lock in rates at low levels.

62. Given that the Council is increasingly using its reserves these need to be readily available and not subjected to unnecessary risk or exposure.

Summary

63. 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).

64. 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 increased the level of internal funding in order to save on interest payments as the cost of these exceeds returns that can be achieved by investing surplus funds in the short term.

65. For 2020/21 and 2021/22 the cheapest borrowing has been 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 2021/22 and may need to borrow before March 2022. 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.

66. 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.

67. 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

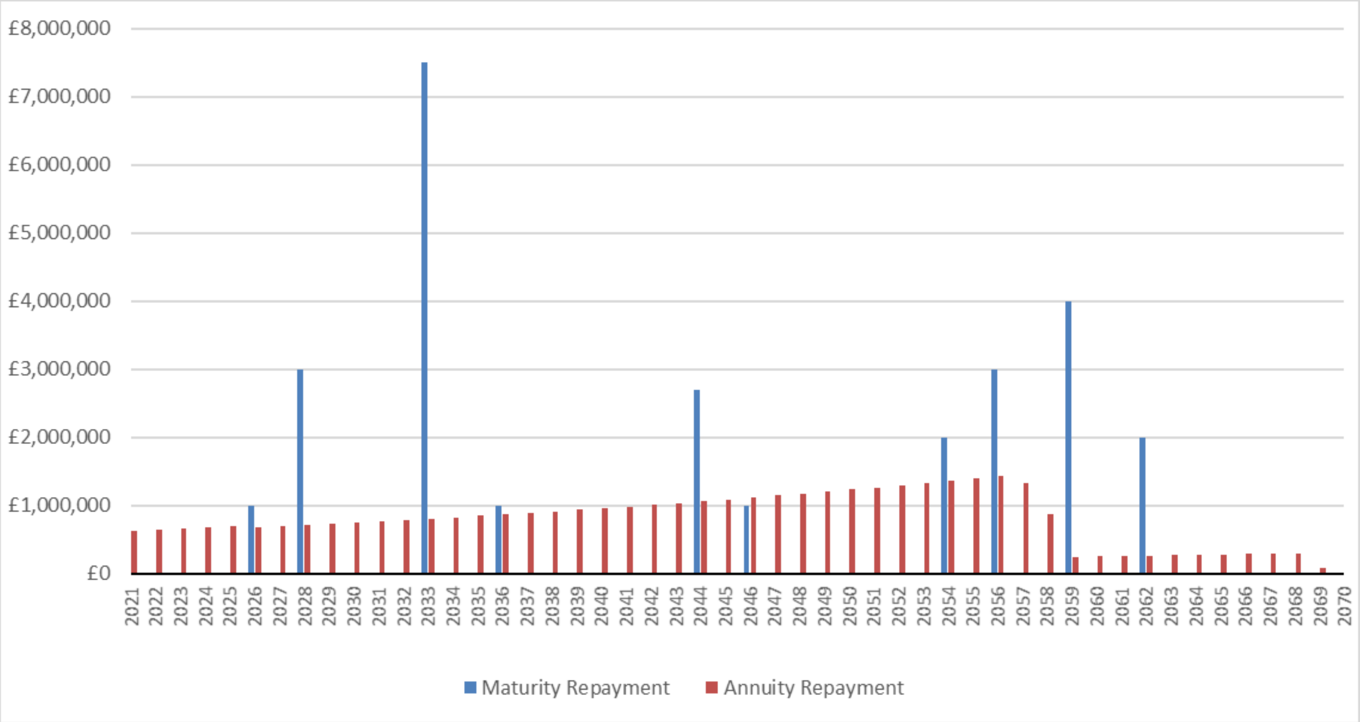
68. The Council will not borrow more than, or in advance of, its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be considered carefully to ensure value for money can be demonstrated and that the Council can ensure the security of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

69. 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 Maturity

70. The Graph below shows the profile of when debt (loans from the PWLB) become repayable. Blue lines indicate maturity loans and red lines indicate annuity loans.



71. The Council will need to carefully consider the structure and timing of any new borrowing to ensure debt does not exceed the CFR in the years ahead.

Debt Rescheduling

72. 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.

73. 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.

74. 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)

75. 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.

76. 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 to reflect the matching, as far as possible, of the MRP with the actual principal repaid (within each debt repayment).

77. The MRP for 2022/23 is estimated at £1,741,200 (the statutory charge to revenue that remains within the accounts).

78. The Government are consulting on the MRP guidance at present and looking to make it clear to all authorities that where loans have been made for capital purposes to other organisations e.g local authority companies, housing providers, then provision for debt repayments must be made. Hastings BC has always done so and is not caught out by this sensible requirement.

ANNUAL INVESTMENT STRATEGY

Investment Policy

79. The Department of Levelling Up, Housing and Communities (DLUHC - this was formerly the Ministry of Housing, Communities and Local Government (MHCLG)) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy.

80. The Council's investment policy has regard to the DLUHC's Guidance on Local Government Investments ("the Guidance"), the CIPFA Treasury Management in the Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the CIPFA TM Code") and the CIPFA Treasurym Management Guidance notes.

81. The Council's investment priorities will be security first, portfolio liquidity second, and then return. The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite. In the current economic climate, it is considered appropriate to keep investments short term to cover cash flow needs.

82. In accordance with the above guidance from the DLUHC 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.

83. 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.

84. 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.

85. Investment instruments identified for use in the financial year are listed in Appendix 5 under the ‘specified’ and ‘non-specified’ investments categories. Specified investments are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity if originally, they were classified as being non-specified investments solely due to the maturity period exceeding one year. Non-specified investments are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use. Counterparty limits will be as set through the Council’s treasury management practices – schedules.

86. 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.

87. In accordance with guidance from the DLUHC 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

88. This Council uses the creditworthiness service provided by Link Group - 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 few 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.

89. 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.

90. 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 Group'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

91. The Link Groups' 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.

92. 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.

93. 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.

94. 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 Group.

95. 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.

96. 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

97. 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.

98. As at 1 December 2021 the Council had balances amounting to £32,039,785. 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 £7.3m of which is due to be repaid to government shortly (January 2022) for example..

99. 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.

100. 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 Group. 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.

101. 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.

102. The pandemic has impacted on countries around the world and in turn on credit ratings. The Council follows the Credit ratings of Link Group 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

103. 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 6: CCLA – LA's Property Prices and Dividend yields

End of	Nov-21	Aug-21	Apr-21	Dec-20	Dec-19	Dec-18	Dec-17	Apr-17
Offer Price p	344.26	331.68	314.43	306.91	322.7	329.35	319.44	307.19
Net Asset Value p	322.49	310.71	294.55	287.5	302.3	308.53	299.24	287.77
Bid Price p	317.49	305.89	289.98	283.05	297.61	303.75	294.60	283.31
Dividend* on XD Date p	0	0	0	3.74	3.21	3.32	3.38	0
Dividend* - Last 12 Months p	12.28	12.69	12.63	12.26	13.12	12.98	13.71	13.19
Dividend Yield on NAV %	3.81	4.08	4.29	4.49	4.34	4.21	4.58	4.58
Fund Size £m	1,282.5	1,282.5	1,211.6	1,172.6	1,200.1	1,099.0	930.8	710.2

104. The dividend yield is around 4.1% p.a. on the net asset value. Dividends for the first 2 quarters of 2021/22 amount to £36,178 (£38,460 at the same point last year). Full year dividends for 2021/22 are estimated at around £71,200 and a similar return is anticipated for 2022/23.

Table 7: CCLA - Property Fund Capital Value

Units (651,063)	Nov-21	Aug-21	Apr-21	Dec-20	Dec-19	Dec-18	Dec-17	Apr-17
Mid Market Price(£)	2,099,613	2,022,918	1,917,706	1,871,806	1,968,163	2,008,725	1,948,241	1,873,564
Bid Price (£)	2,067,060	1,991,537	1,887,952	1,842,834	1,937,629	1,977,604	1,918,032	1,844,527

105. The Capital value has increased by 12.06% between April 2017 and November 2021 and is now above that of the original investment 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).

Diversified Income Fund

106. 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 £3.043m (1.4% above the initial investment amount). Dividend yield on price is estimated at around 2.6% for December 2021 (3.36% December 2020). Dividends payable for the first 2 quarters of 2021/22 amount to £39,614

(£52,334 at the same point last year). It should be remembered that this is a long term investment and prices can go up and down.

Investment Strategy – View on Interest Rates

107. 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.

108. Bank Rate is forecast to stay low for the foreseeable future, with only limited increases forecast over the next 4 years. However, the financial position can often change quickly, and the Council needs to be prepared for increases in rates as well as potentially (although now looking less iklely) negative interest rates.

109. 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

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

111. 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.

112. 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.

Treasury Management Reporting

113. The Council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

    a) Prudential and treasury indicators and treasury strategy (this report) - The first, and most important report is forward looking and covers:

- the capital plans, (including prudential indicators);
- a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time);
- the treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
- an investment strategy, (the parameters on how investments are to be managed).

b) A mid-year treasury management report – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision.

c) An annual treasury report – This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy. 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

114. The Council uses Link Group, Treasury solutions 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.

Training

115. 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.

MiFID II (Markets in Financial Instruments Directive)

116. 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.

117. 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.

118. The two parties to date are Link Group 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

119. Please see Appendix 9.

Role of the Section 151 Officer

120. 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 Supported Capital Expenditure (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 2022/23

The Council implemented the new Minimum Revenue Provision (MRP) guidance in 2008/09 and will assess the MRP for 2022/23 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 2022/23 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 2022 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 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 i.e matching the MRP requirement. Likewise, for any loan to the Foreshore Trust - as the interest and principal repayments made by the Council to the PWLB are funded in full from the sums payable by the Trust this matches the MRP requirement for 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 Group Interest rate forecast – Dec 2021 – March 2025

Link Group Interest Rate View 8.11.21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.30	0.40	0.50	0.50	0.50	0.60	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.10	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.50	0.60	0.70	0.70	0.80	0.90	1.00	1.10	1.20	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.50	1.50	1.60	1.60	1.70	1.70	1.70	1.80	1.80	1.80	1.90	1.90	2.00	2.00
10 yr PWLB	1.80	1.90	1.90	2.00	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30	2.40
25 yr PWLB	2.10	2.20	2.30	2.40	2.40	2.40	2.50	2.50	2.60	2.60	2.60	2.60	2.70	2.70
50 yr PWLB	1.90	2.00	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.40	2.40	2.50	2.50
Bank Rate														
Link	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
Capital Economics	0.25	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00	-	-	-	-	-
5yr PWLB Rate														
Link	1.50	1.50	1.60	1.60	1.70	1.70	1.70	1.80	1.80	1.80	1.90	1.90	2.00	2.00
Capital Economics	1.60	1.70	1.70	1.80	2.10	2.10	2.10	2.10	2.10	-	-	-	-	-
10yr PWLB Rate														
Link	1.80	1.90	1.90	2.00	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30	2.40
Capital Economics	1.80	1.90	2.00	2.20	2.30	2.30	2.30	2.30	2.30	-	-	-	-	-
25yr PWLB Rate														
Link	2.10	2.20	2.30	2.40	2.40	2.40	2.50	2.50	2.60	2.60	2.60	2.60	2.70	2.70
Capital Economics	2.10	2.20	2.40	2.60	2.70	2.80	2.80	2.80	2.90	-	-	-	-	-
50yr PWLB Rate														
Link	1.90	2.00	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.40	2.40	2.50	2.50
Capital Economics	1.90	2.00	2.20	2.40	2.50	2.60	2.60	2.60	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 Group)

Since this review was provided by our treasury advisors (Link Group) the MPC met on 16 December and voted to increase interest rates from 0.10% to 0.25%. This is further discussed in the "Prospects for Interest Rates" section of the main report above.

ECONOMIC BACKGROUND

MPC meeting 4th November 2021

- The Monetary Policy Committee (MPC) voted 7-2 to leave Bank Rate unchanged at 0.10% with two members voting for an increase to 0.25% and made no changes to its programme of quantitative easing purchases due to finish by the end of this year at a total of £895bn by a vote of 6-3.

- After the Governor and other MPC members had made speeches prior to the MPC meeting in which they stressed concerns over inflation, (the Bank is now forecasting inflation to reach 5% in April when the next round of capped gas prices will go up), thus reinforcing the strong message from the September MPC meeting, financial markets had confidently built in an expectation that Bank Rate would go up from 0.10% to 0.25% at this meeting. However, these were not messages that the MPC would definitely increase Bank Rate at the first upcoming MPC meeting as no MPC member can commit the MPC to make that decision ahead of their discussions at the time. The MPC did comment, however, that Bank Rate would have to go up in the short term. It is, therefore, relatively evenly balanced as to whether Bank rate will be increased in December, February or May. Much will depend on how the statistical releases for the labour market after the end of furlough on 30th September 2021 turn out.

- Information available at the December MPC meeting will be helpful in forming a picture but not conclusive, so this could cause a delay until the February meeting. At the MPC's meeting in February it will only have available the employment figures for November: to get a clearer picture of employment trends, it would, therefore, need to wait until the May meeting (although it also meets in March) when it would have data up until February. At its May meeting, it will also have a clearer understanding of the likely peak of inflation expected around that time. If the statistics show the labour market coping well during the next six months, then it is likely there will be two increases in these three meetings.

- Over the next year the MPC will be doing a delicate balancing act of weighing combating inflation being higher for longer against growth being held back by significant headwinds. Those headwinds are due to supply shortages (pushing prices up and holding back production directly), labour shortages, surging fuel prices and tax increases. However, those headwinds could potentially be offset – at least partially - by consumers spending at least part of the £160bn+ of "excess savings" accumulated during the pandemic. However, it is also possible that more affluent people may be content to hold onto elevated savings and investments and, therefore, not support the economic recovery to the extent that the MPC may forecast.

- The latest forecasts by the Bank showed inflation under-shooting the 3 years ahead 2% target (1.95%), based on market expectations of Bank Rate hitting 1%

in 2022. This implies that rates don't need to rise to market expectations of 1.0% by the end of next year.

- It is worth recalling that the MPC pointedly chose to reaffirm its commitment to the 2% inflation target in its statement after the MPC meeting in September yet at its August meeting it had emphasised a willingness to look through inflation overshooting the target for limited periods to ensure that inflation was 'sustainably over 2%'. On balance, once this winter is over and world demand for gas reduces - so that gas prices and electricity prices fall back - and once supply shortages of other goods are addressed, the MPC is forecasting that inflation would return to just under the 2% target.

- **The MPC's forward guidance on its intended monetary policy** on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows: -
    1. Raising Bank Rate as "the active instrument in most circumstances".
    2. Raising Bank Rate to 0.50% before starting on reducing its holdings.
    3. Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
    4. Once Bank Rate had risen to at least 1%, it would start selling its holdings.

- **COVID-19 vaccines.** These have been the game changer which have enormously boosted confidence that **life in the UK could largely return to normal during the summer** after a third wave of the virus threatened to overwhelm hospitals in the spring. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in hard hit sectors like restaurants, travel and hotels. The big question is whether mutations of the virus could develop which render current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread. There is also a potential for the winter flu season combined with Covid to overwhelm NHS hospitals so the UK is not entirely in the clear yet.

- **Since the September MPC meeting**, the economy has been impacted by rising gas and electricity prices which are now threatening to close down some energy intensive sectors of industry – which would then further impact the supply chain to the rest of the economy. Ports are also becoming increasingly clogged up with containers due to a shortage of lorry drivers to take them away. The labour market statistics for August released in mid-October showed a sharp rise in employment but also a continuing steep rise in vacancies. The combination of all these factors is a considerable headwind to a recovery of economic growth in the months ahead.

US. Shortages of goods and intermediate goods like semi-conductors, are fuelling increases in prices and reducing economic growth potential. It now also appears that there has been a sustained drop in the labour force which suggests the pandemic has had a longer-term scarring effect in reducing potential GDP. Economic growth may therefore be reduced to between 2 and 3% in 2022 and 2023 while core inflation is likely to remain elevated at around 3% in both years instead of declining back to the Fed's 2% central target. This could well cause the Fed to focus on supporting economic growth by delaying interest rate rises, rather than combating elevated inflation i.e., there may be no rate rises until 2023.

EU. The slow role out of vaccines initially delayed economic recovery in early 2021 but the vaccination rate then picked up sharply. After a contraction of -0.3% in Q1, Q2 came in with strong growth of 2%. With Q3 at 2.2%, the EU recovery is nearly complete although countries dependent on tourism are lagging. Recent sharp increases in gas and electricity prices have increased overall inflationary pressures but the ECB is likely to see these as being only transitory after an initial burst through to around 4%, so is unlikely to be raising rates for a considerable time.

German general election. With the CDU/CSU and SDP both having won around 24-26% of the vote in the September general election, the composition of Germany's next coalition government may not be agreed by the end of 2021. An SDP-led coalition would probably pursue a slightly less restrictive fiscal policy, but any change of direction from a CDU/CSU led coalition government is likely to be small. However, with Angela Merkel standing down as Chancellor as soon as a coalition is formed, there will be a hole in overall EU leadership which will be difficult to fill.

China. After a concerted effort to get on top of the virus outbreak in Q1 2020, economic recovery was strong in the rest of the year; this enabled China to recover all the initial contraction. During 2020, policy makers both quashed the virus and implemented a programme of monetary and fiscal support that was particularly effective at stimulating short-term growth. At the same time, China's economy benefited from the shift towards online spending by consumers in developed markets. These factors helped to explain its comparative outperformance compared to western economies during 2020 and earlier in 2021. However, the pace of economic growth has now fallen back after this initial surge of recovery from the pandemic and China is now struggling to contain the spread of the Delta variant through sharp local lockdowns - which will also depress economic growth. There are also questions as to how effective Chinese vaccines are proving. Supply shortages, especially of coal for power generation, which is causing widespread power cuts to industry, are also having a sharp disruptive impact on the economy. In addition, recent regulatory actions motivated by a political agenda to channel activities into officially approved directions, are also likely to reduce the dynamism and long-term growth of the Chinese economy.

Japan. 2021 has been a patchy year in combating Covid. However, recent business surveys indicate that the economy is rebounding rapidly now that the bulk of the population is fully vaccinated and new virus cases have plunged. The Bank of Japan is continuing its very loose monetary policy but with little prospect of getting inflation back above 1% towards its target of 2%, any time soon: indeed, inflation was actually negative in July. New Prime Minister Kishida had promised a large fiscal stimulus package after the November general election which his party has now won.

World growth. World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum more recently. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these should subside during 2022. It is 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, and vice versa. This is likely to reduce world growth rates from those in prior decades.

Supply shortages. The pandemic and extreme weather events, followed by a major surge in demand after lockdowns ended, have been highly disruptive of extended worldwide supply chains. At the current time there are major queues of ships unable to unload their goods at ports in New York, California and China. Such issues have led to a misdistribution of shipping containers around the world and have contributed to a huge increase in the cost of shipping. Combined with a shortage of semi-conductors, these issues have had a disruptive impact on production in many countries. The latest additional disruption has been a shortage of coal in China leading to power cuts focused primarily on producers (rather than consumers), i.e., this will further aggravate shortages in meeting demand for goods. Many western countries are also hitting up against a difficulty in filling job vacancies. It is expected that these issues will be gradually sorted out, but they are currently contributing to a spike upwards in inflation and shortages of materials and goods on shelves.

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	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000
Authorised Limit for external debt					
borrowing	110,000	110,000	110,000	110,000	110,000
other long term liabilities	5,000	5,000	5,000	5,000	5,000
TOTAL	115,000	115,000	115,000	115,000	115,000
Operational Boundary for external debt					
borrowing	105,000	105,000	105,000	105,000	105,000
other long term liabilities	5,000	5,000	5,000	5,000	5,000
TOTAL	110,000	110,000	110,000	110,000	110,000

Interest Rate Exposures	**2021/22 Upper**	**2022/23 Upper**	**2023/24 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 2022/23	**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 2022/23	**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 Actual	2021/22 Revised Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Financing Costs	£'000	£'000	£'000	£'000	£'000	£'000
1. Interest Charged to General Fund	1,817	1,836	1,843	2,137	2,320	2,494
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	-	-	-	-	-	-
4. Interest and Investment Income	-597	-522	-504	-503	-513	-505
5. Amounts payable or receivable in respect of financial derivatives	-	-	-	-	-	-
6. Minimum Revenue Provision (MRP) / Voluntary Revenue Provision (VRP)	1,176	1,500	1,668	1,741	2,006	2,327
7. Depreciation/Impairment that are charged to the amount to be met from government grants and local taxpayers	-	-	-	-	-	-
Total	2,396	2,814	3,007	3,375	3,813	4,316
Net Revenue Stream Amount to be met from government grants and local taxpayers	13,313	16,332	14,075	13,717	13,443	13,308
Ratio **Financing Cost to Net Revenue Stream**	**18%**	**17%**	**21%**	**25%**	**28%**	**32%**

Note: Outturn figures for 2019/20 and 2020/21 are unaudited

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 and that the Council agreed a programme for over £54m of Capital expenditure over the period 2020/21 to 2023/24 - thus increasing borrowing costs. The above ratio does not take into account the income is being generated from the initiatives and commercial property acquisitions as these are not treated as investment income.

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) Why use it? (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) Associated risks (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 credit worthiness service.

Countries that meet our criteria 1, 2, 3, 4 (at 24.12.2020)

1. AAA
   - Australia
   - Denmark
   - Germany
   - Luxembourg
   - Netherlands
   - Norway
   - Singapore
   - Sweden
   - Switzerland

2. AA+
   - Canada
   - Finland
   - U.S.A

3. AA
   - Abu Dhabi (UAE)
   - France

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

List is accurate as at 22 December 2021.

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, including 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.

   - Investment Management Practices (IMPs) for investments which are not for treasury management purposes

   The content of the policy statement TMPs and IMPs will follow the recommendations contained in Sections 6, 7 and 8 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 and IMPs.

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,TMPs and IMPs 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 mid-year 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 mid-year 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.

Draft Capital Strategy (2022/23)

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 – given the impact of the Towns Fund monies and the potential housing schemes north of Bexhill Road. The report does detail the Council's borrowing commitments until 2069/70 that result from past and current capital programmes.

Corporate Plan

9. The Capital Strategy will support Hastings Borough Council's Corporate Plan and help us meet our vison and priorities.

Our Vision

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

Our town will:

- Be a 'green' town with zero carbon footprint
- Celebrate diversity, individuality and eccentricity
- Recognise and meet people's needs
- Have warm affordable homes for all
- Ensure good standards of healthcare
- Provide the best possible education
- Have rewarding jobs with a decent wage
- Protect our historic built and natural environment
- Welcome developments that excite and enrich
- Be a hub of creativity and culture

10. We will continue to work with our partners across all sectors to achieve our vision and promote our town. So that we can work towards our vision, we have priorities which we will be concentrating on:

- Tackling homelessness, poverty and ensuring quality housing
- Keeping Hastings clean and safe
- Minimising our environmental impact
- Making the best use of our land and buildings
- Changing how we work to meet the future
- Delivering responsible regeneration for the town

High Level Overview of how Capital Expenditure, Capital Financing and Treasury Management Activity Contribute to the Provision of Services

11. 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 2022/23

12. The Council's Capital programme amounts to some £21.746m (£14.854m net of grants and contributions) in 2022/23. The major areas of expenditure include**:-**

(I) Buckshole Reservoir (£666,000 in 2022/23)
The January 2020 Cabinet approved works to improve the spillway design and to change the drawdown operation.

(II) Commercial Property – Lacuna Place (£141,000 2022/23)
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 had been boarded up for many years. The works undertaken in 2021/22 have brought the property up to a lettable standard, and have enhanced the area to provide and attract new jobs as well as secure new income and business rates for the Council, this will in turn will help to sustain services within the borough. The remaining budget will assist with the further bespoke works to meet the requirements of incoming tenants.

(III) Priory Meadow Contribution to capital works (£538,000 of which £250,000 may be spent in 2022/23)
The Council owns 10% of the Priory Meadow shopping centre. The money represents its share of any capital investment costs for 2022/23. The Council receives 10% of the net income for the centre which provides a significant contribution towards meeting the service costs of the council.

(IV) Churchfield Business Centre (£3.31m in 2022/23)
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. Some £1.55m of external funding has been secured.

(V) Playgrounds Upgrade (£38,000 in 2022/23)
In line with the strategic objective of an attractive town, this is the continuation of a programme of upgrades, which carries on into 2022/23.

(VI) MUGA Refurbishments (£80,000 in 2022/23)
Refurbishment of two Multi-Use Games Areas (MUGA). One at Alexandra Park and one other. External funding is being sought.

(VII) Lower Bexhill Road – Housing Development (£5.061m of which £3.061m is expected to be spent in 2022/23)
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.

(VIII) Bexhill Road South – Affordable Housing and Car Park (£3.575m of which £1.075 is expected to be spent in 2022/23)
Affordable housing development of 16 plus units and car park refurbishment. The council has set a target to provide 500 Affordable Rent Homes over the next 5 years through a variety of projects, including direct delivery. This scheme will require a viable business case to proceed and the Council's financial position must be such that it is capable of supporting a further major project over this period

(IX) Mayfield E – Affordable Housing (£8m of which £1m is expected to be spent in 2022/23)
Development of 38 affordable housing units . Once again, this scheme will require a viable business case to proceed and the Council's financial position must be such that it is capable of supporting a further major project over the period of build.

(X) Pelham Crescent – Building/Restoration Works and Road (£594,000 in 2022/23)
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. A separate report to Cabinet will be required in order to proceed.

(XI) Sea Defences (£299,000 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 (no expenditure forecast for 2022/23).

(XII) Disabled Facility Grants (£2.056m (Est) – all grant funding)
Property related grants for adapting homes. In 2021/22 the Council will receive funding approaching £2.1m. The figure for 2022/23 is not yet known – but is not expected to be less. Unspent grant from previous years can be carried forward to use for future spend.

(XIII) Harold Place (£1.613m in 2022/23)
The development of this key Council owned site for a restaurant/café.

(XIV) Cornwallis Street Development (£6.835m for 2022/23)

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.

(XV) Energy – Solar Panels (£1.538m of which £0.538m is expected to be spent in 2022/23)
The installation of solar panels on non-domestic rooftops within the borough – providing cheaper energy for businesses. An additional £4.3m has been allocated for energy generation projects in future years but remains unallocated.

(XVI) Empty Homes Strategy – CPO (£50,000 in 2022/23)
Rolling programme of purchases and disposals.

(XVII) Castleham Industrial Units (£140,000 in 2022/23)
This is a major refurbishment project to over-roof units 6,7,8 & 9/10.

13. The financing of capital expenditure in 2022/23 relies on applying a receipt of £5m from the sale of assets. If this amount is not received then further borrowing will need to be undertaken resulting in increased interest and MRP charges in future years.

Capital Expenditure 2023/24

14. The 2023/24 Capital programme amounts to some £13.229m (£9.173m net of grants and contributions).

15. The main areas of expenditure are Priory Meadow contribution to capital costs (£288,000), Energy (£500,000 for Solar Panels, £2.3m unallocated), Disabled Facility Grants (£2.056m), Groyne refurbishment (£35,000), Empty Homes (£50,000), Lower Bexhill Road (£2m), Bexhill Road South (£2.5m), and Mayfield E (£3.5m).

Capital Expenditure 2024/25

16. The Council's current capital expenditure plans for 2024/45 amount to some £8.141m (£6.085m net of grants and contributions).

17. The main areas of expenditure are currently Energy (£500,000 for Solar Panels, £2m unallocated), Disabled Facility Grants (£2.056m fully grant funded), Groyne Refurbishment (£35,000), Empty Homes (£50,000), and Mayfield E (£3.5m).

Summarised Capital Expenditure and Funding - 2021/22 (Revised) to 2024/25

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

	Revised 2021/22 £'000s	2022/23 £'000s	2023/24 £'000s	2024/25 £'000s
Gross Capital Expenditure	7,961	21,746	13,229	8,141
Net Capital Expenditure	3,674	14,854	9,173	6,085
Financing from own resources	50	5,234	73	50
Borrowing Requirement	3,624	9,620	9,100	6,035

Financing the Capital Programme

19. The Council can invest in a capital programme so long as its capital spending plans are "affordable, prudent and sustainable".

20. 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).

21. 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 £64.1m which will have been borrowed by 31 March 2022.

22. 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	2020/21 (unaudited) £'000s	2021/22 (Rev Est) £'000s	2022/23 (Estimate) £'000s	2023/24 (Estimate) £'000s	2024/25 (Estimate) £'000s
CFR-Opening	66,372	72,683	74,689	82,752	89,869
Less MRP	(1,500)	(1,668)	(1,741)	(2,006)	(2,327)
Plus New Borrowing	7,811	3,674	9,804	9,123	6,035
CFR Closing	**72,683**	**74,689**	**82,752**	**89,869**	**93,577**

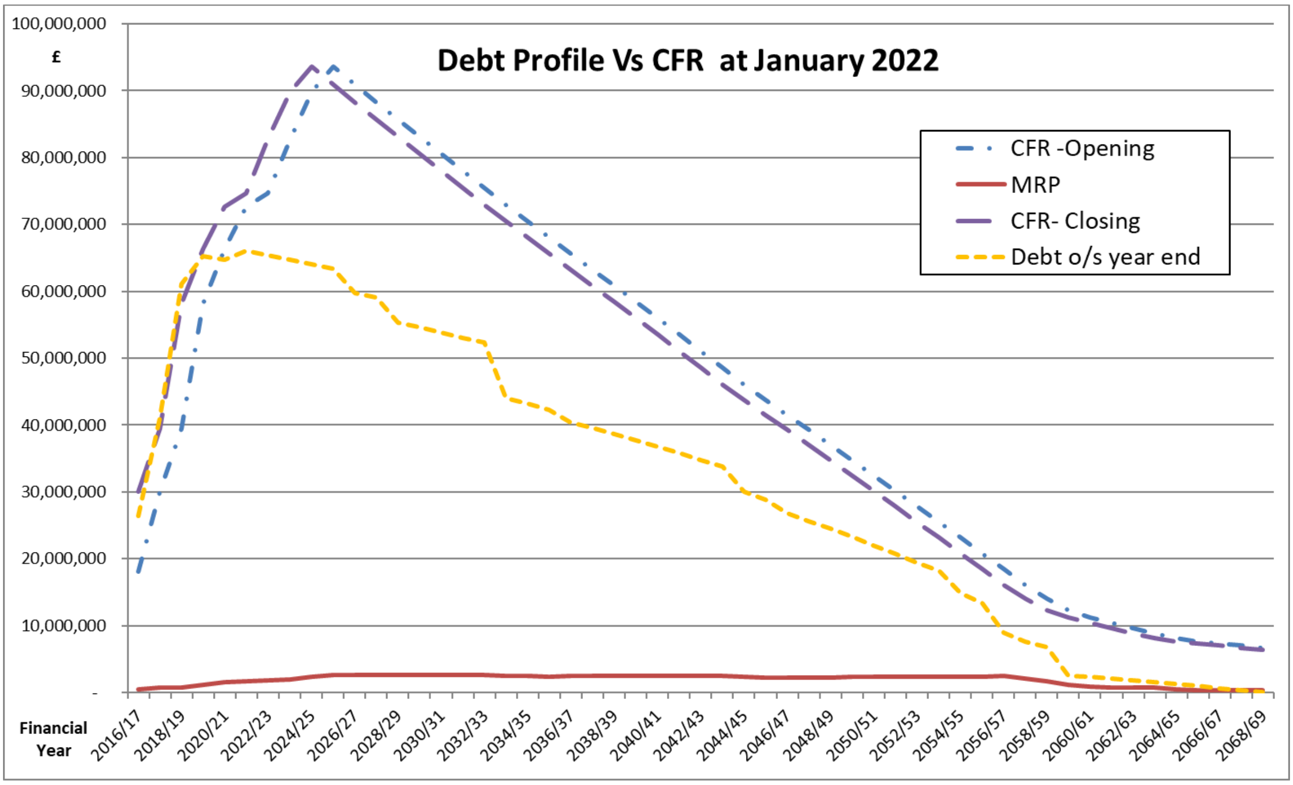
23. The table above highlights that by the end of 2023/24 the level of debt will have increased to some £89.87m (subject to viability and the approval of schemes within the Capital programme).

Revenue Consequences of the Capital Programme on the General Fund

24. Borrowing has long term revenue consequences. The overall indebtedness of the Council 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 £174.885m at 31 March 2021 (unaudited) (£172.457m as at 31 March 2020).

Debt Profile and CFR

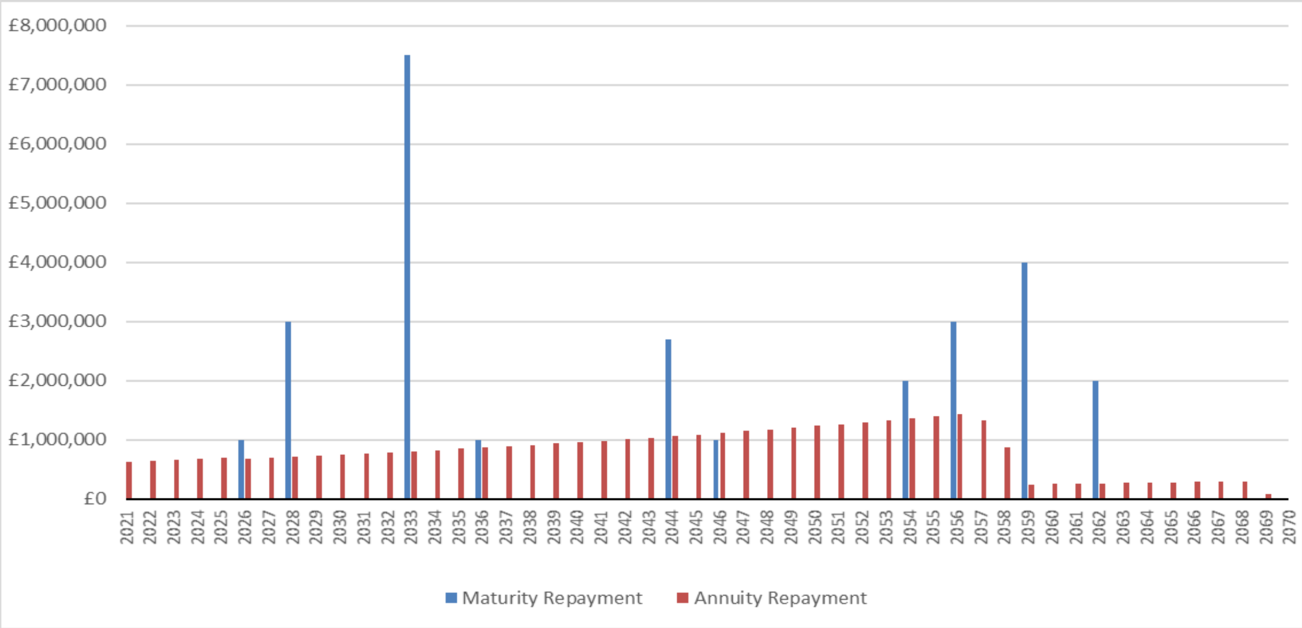
25. The graph below shows how the CFR (blue and purple lines) reduce over time as MRP payments are made. The yellow line shows the level of external debts reducing as principal repayments are made (see debt maturity graph below).



26. The graph above is based on the current known capital programme up to 2024/25. If further capital expenditure is finance by borrowing, which is highly likely, then this will push the trajectory of the graph out into further years and increase future MRP payment..

Debt Maturity

27. The Graph below shows the profile of when debt (loans from the PWLB) become repayable. Blue lines indicate maturity loans and red lines indicate annuity loans.



28. The Council will need to carefully consider the structure and timing of any new borrowing to ensure debt does not exceed the CFR in the years ahead.

Financial Risk Management

29. 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.

30. 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.

31. 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.

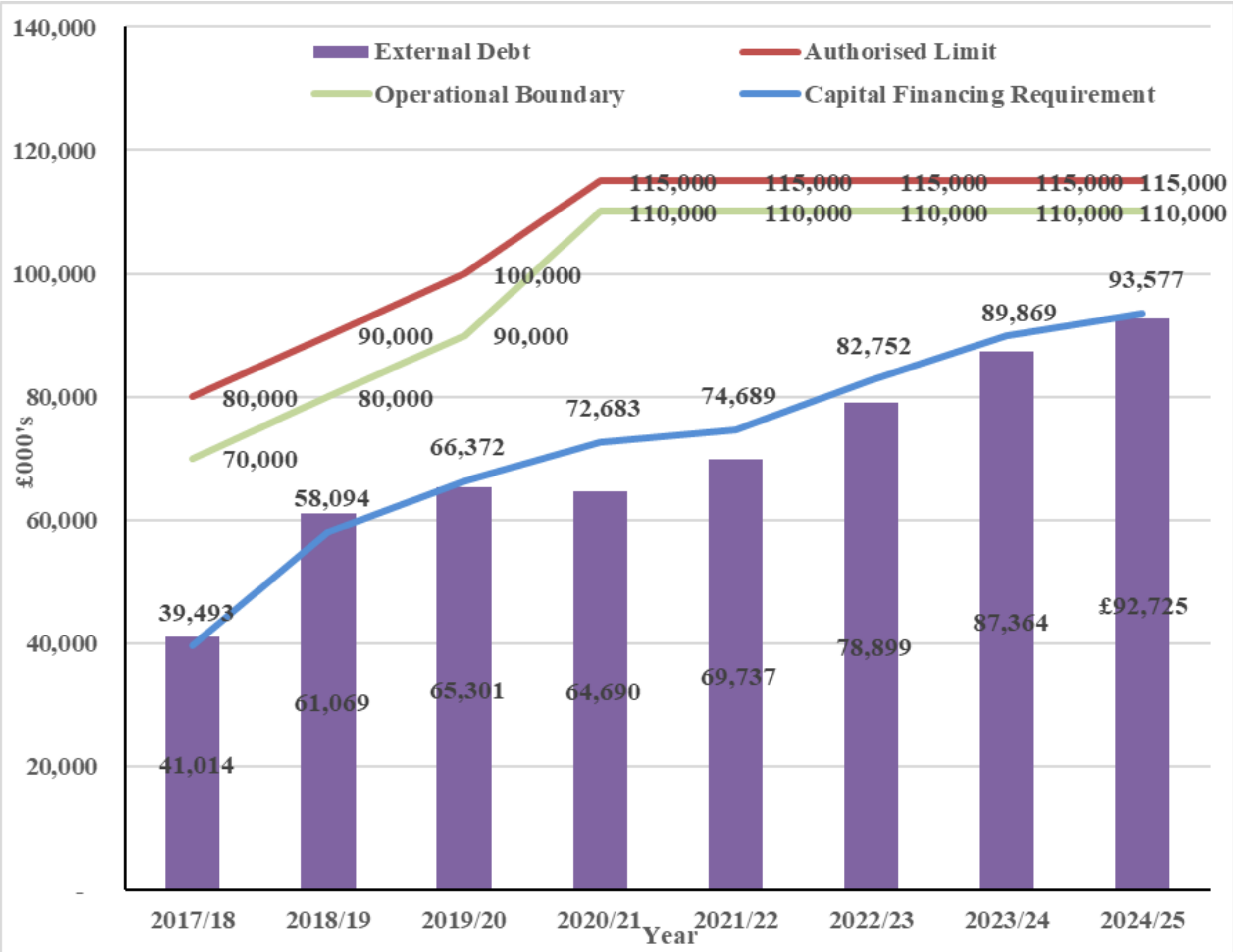
32. To arrive at an overall borrowing level (Authorised and Operational borrowing limits), the Council needs to take a considered view of its other potential liabilities, future borrowing requirements, guarantees and loans given, bad debts, claims against the Council, future funding, security and diversity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

33. Based on the existing Capital programme, by 2024/25 interest on debt will amount to some £2.494m p.a. with capital repayments (MRP) of £2.327m; 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 £2.137m for 2022/23.

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

35. 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



36. 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.

37. 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.

38. 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

39. 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 as at 31/03/2022 £	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	£10,730	Annuity
			Total	**£1,955,160**	

40. The above table excludes a series of loan to the Hastings Housing Company in respect of property purchases. As at 31 December 2021 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.

41. 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.

42. 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

43. 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.

44. The Council's General and Earmarked reserves are set to fall further over the forthcoming 12 months. The balance at 1 April 2021 was £18,287m (unaudited). At the 31 March 2022 the estimated balance will be £14.367m with the balance at the end of 2022/23 amounting to some £10.447m. If Disabled Facility Grant monies are excluded the balance at the end of 2022/23 reduces to an estimated £8m.

45. 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

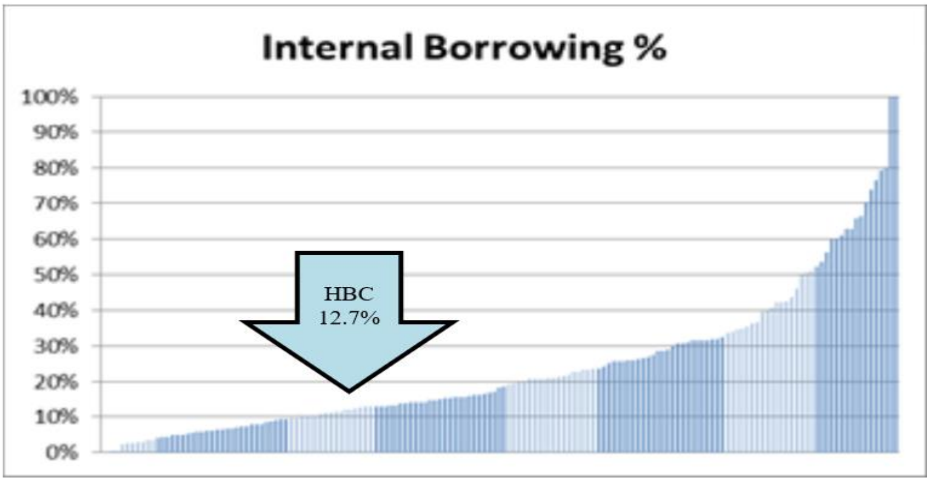
Internal Borrowing

46. 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.

47. 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)



48. 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.

49. For Hastings BC the Council has previously sought to achieve near full financing of the Capital programme over recent 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. For the last year a higher level of internal borrowing was adopted. Currently, with interest rates looking likely to increase (although remaining at historically very low levels) the Council is considering externalising some of the internal debt to lock in rates at low levels.

50. For 2021/22 the level of internal borrowing by year end is expected to be £4.952m out of a total borrowing requirement of some £74.689m (6.6%).

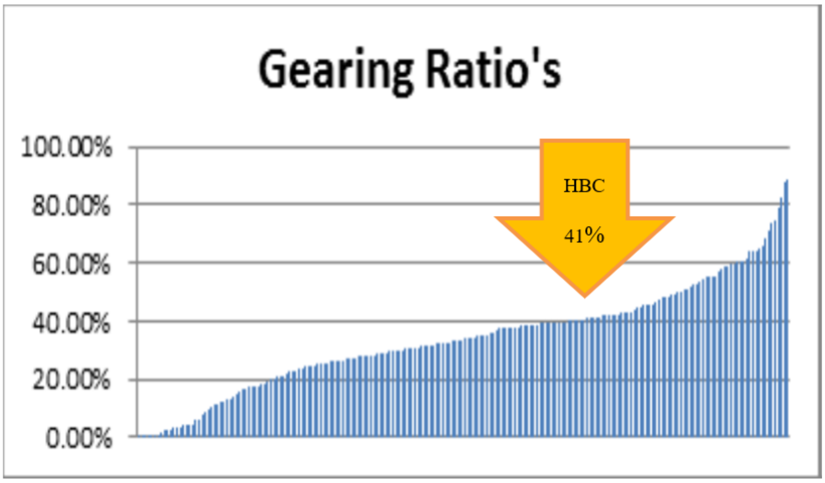
Gearing

51. 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.

52. Based on Link Groups' 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.

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

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



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

55. 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%.

56. For Hastings, the gearing ratio of debt (CFR) to long term assets is set to increase to 43% in 2022/23 (assuming no changes to asset valuations and Capital programme). When compared against the net assets of the authority the ratio increases to 79% in 2022/23 (the net assets of the authority after taking account of all debts and other liabilities being estimated at some £105m).

57. 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 Calculation	Actual 2018-19 £'000	Actual 2019-20 £'000	Actual 2020-21 £'000	Estimate 2021-22 £'000	Estimate 2022-23 £'000	Estimate 2023-24 £'000	Estimate 2024-25 £'000	Operational Boundary £'000
Capital Expenditure				3,841	12,908	4,708	35	
New Borrowing				3,674	9,804	9,123	6,035	
Net Assets	73,497	84,845	88,460	92,301	105,209	109,917	109,952	109,952
Long Term Assets	158,774	172,457	174,885	178,726	191,634	196,342	196,377	223,625
Capital Financing Requirement	58,094	66,372	72,683	74,689	82,752	89,869	93,577	110,000
RATIOS:								
Debt: Net Assets	**79%**	**78%**	**82%**	**81%**	**79%**	**82%**	**85%**	**100%**
Debt: Long Term Assets	**37%**	**38%**	**42%**	**42%**	**43%**	**46%**	**48%**	**49%**

Note: Outturn figures for 2019/20 and 2020/21 are unaudited

58. The Council's position will move from 42% to 43% but remains close to the average (35%), especially considering this average is likely to have increased since 2017/18. If the Council borrowed at the limits to its current Operational Boundary (£110m), then debt to long term assets ratio could rise to 49%.

59. 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.

60. 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 have been undertaken to produce revised 2021 editions.

61. 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

62. 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.

63. In Hasting's case the ratio of financing costs in 2022/23 represents, 25%, of the Net Revenue Stream (Appendix 1), which only leaves 75% of the revenue stream

for all the other services to be provided. The higher the percentage, therefore, the less is left for running services.

64. 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 2024/25).

65. 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.

66. 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?

67. 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.

Industrial Units – Churchfields Estate (Sidney Little Road)

68. 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)

69. 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

70. The Council has a number of sites that are suitable for development and/or disposal. Namely,

- Bexhill Road North (£30m + construction costs)
- Mayfield E - £7.3m construction costs (38 units)
- Bexhill Road -Land rear of 419- 447 Bexhill Rd - £2.9m construction costs (16 units)

71. 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 £40m and £50m. Given the Council's need for Capital receipts the council agreed in 2020 to pursue the sale of some sites e.g. harrow lane. The Council's policy remains that surplus land and properties will be disposed of unless an alternative viable option is identified that generates similar revenue streams within the same timescales – no disposal will take place where there is the realistic possibility of a rapid redevelopment opportunity to provide housing..

Bohemia

72. 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.

73. 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

74. The Towns Fund, announced in July 2019, is a £3.6bn national initiative focusing on 100 towns of which Hastings is one. The intention of the fund is to help drive sustainable economic regeneration for long term economic and productivity growth.

75. The Council has received an offer of £24.3m for the delivery of the investment proposals put forward. 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. Securing the grant has been a significant accomplishment and started a major item of work for the Council and its partners.

76. The Council's bid includes 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

77. 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

78. 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 onwards)
    - Playground – Repair and Refurbishment
    - 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).
    - Upgrade of vehicles to electric.
    - 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.
    - Environment Act – wholesale changes to waste and recycling collection.

Corporate Governance Arrangements – Project Approval Process

79. 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.

80. 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. Any new Capital proposal requires full Council approval.

81. 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).

82. Property developments and purchases are considered by Cabinet, and are subject to full Council approval, 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 external 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 2021 the Council's Long term Assets were valued at some £175m whilst debt (CFR) amounted to some £72.7m.

83. In terms of Housing, the Council has set up its own housing company (Hastings Housing Company Ltd) which is wholly owned by the Council. It acquired its first property in March 2018 and now has long term assets in excess of £5.4m. 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

84. 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 £500,000 to a reserve which funds the programme. In 2021/22 the expected spend amounts to £1,233,409 and in 2022/23 it is estimated at £647,700. As a result of expenditure exceeding income the balance on the reserve is expected to fall from £1.629m at 31 March 2021 to some £747,800 by the end of March 2023.

Information Technology Reserve

85. 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.

86. 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.

87. The Council will contribute £189,000 p.a. into the fund in 2022/23. The expenditure is estimated at £233,000 in 2021/22 and £214,000 in 2022/23 (See budget).

Knowledge, Skills and Training

88. 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.

89. 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.

90. 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.

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

Summary

92. 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.

93. 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.

94. 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.

95. 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 fall close to or below the minimum recommended level by the end of 2021/22 (£6m) – and the Council must look to achieve a sustainable and balanced budget for 2023/24.

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

97. 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

98. 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.

99. The draft budget for 2022/23 is subject to public consultation from January 2022.

Equality Impact Assessment

100. Equality Impact assessments are considered as part of the business case when considering individual capital proposals.

Appendix 1

Affordability Prudential indicator - Ratio of Financing Costs to Net Revenue Stream

Prudential Indicator: Financing Cost to Net Revenue Stream	**2019/20 Actual**	**2020/21 Actual**	**2021/22 Revised Estimate**	**2022/23 Estimate**	**2023/24 Estimate**	**2024/25 Estimate**
Financing Costs	£'000	£'000	£'000	£'000	£'000	£'000
1. Interest Charged to General Fund	1,817	1,836	1,843	2,137	2,320	2,494
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	-	-	-	-	-	-
4. Interest and Investment Income	-597	-522	-504	-503	-513	-505
5. Amounts payable or receivable in respect of financial derivatives	-	-	-	-	-	-
6. Minimum Revenue Provision (MRP) / Voluntary Revenue Provision (VRP)	1,176	1,500	1,668	1,741	2,006	2,327
7. Depreciation/Impairment that are charged to the amount to be met from government grants and local taxpayers	-	-	-	-	-	-
Total	2,396	2,814	3,007	3,375	3,813	4,316
Net Revenue Stream Amount to be met from government grants and local taxpayers	13,313	16,332	14,075	13,717	13,443	13,308
Ratio **Financing Cost to Net Revenue Stream**	**18%**	**17%**	**21%**	**25%**	**28%**	**32%**

Note: Outturn figures for 2019/20 and 2020/21 are unaudited

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Agenda Item 7

Report To:	**Cabinet**
Date of Meeting:	**7 February 2022**
Report Title:	Revenue Budgets 2021/22 (Revised) and 2022/23, plus Capital Programme 2022/23 to 2024/25
Report By:	**Peter Grace** **Chief Finance Officer**
Key Decision:	**Yes**
Classification:	**Open**

Purpose of Report

1. This report presents the revised revenue budget for 2021/22 and a budget for 2022/23. The revised budget for 2021/22 takes account of the known variations to expenditure and income streams that have occurred since setting the budget in February 2021.

2. The report identifies that a balanced budget in 2022/23 can only be achieved by using £2.172m of reserves, and that further savings will be required given the relentless increases in homelessness costs in particular.

3. The forecasts for future years show increasing deficits e.g. 2023/24 is £2.654m, in 2024/25 it is estimated at £2.674m, and in 2025/26 it is estimated at £2.665m. The level of grant funding, Council Tax increases and income from fees and charges is insufficient to meet the annual increases in costs e.g. inflation, pay increases, demand pressures.

4. 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.

5. In setting the budget for 2022/23, recognition has to be taken of the uncertainties that exist for the years ahead given the absence of the Fair Funding review (retitled as 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 in future years.

6. The alignment of the Council's available resources to its priorities requires further, and immediate action to achieve a sustainable budget in the years ahead. Financial rules, operating procedures, and management controls have been strengthened but now need to go much further and be strictly followed to ensure that the Council is in full control of the reducing financial resources and the need to show Best Value.

7. The Cabinet meeting on the 7 February is a key part of the budget setting process. The

full Council meeting on the 16 February 2022 is responsible for setting a balanced budget and determining the Council Tax. Whilst savings of £1.36m have been identified for 2022/23, there are also unavoidable increases in costs that result in further use of the Council's fast diminishing 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 2022/23 of 1.99% which is the maximum permissible without a referendum.

8. 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 2022/23. Precept figures will be updated following receipt of the final figures from East Sussex County Council, Police and Fire Authority.

Recommendation(s)

Cabinet recommends that full Council:-

(i) Approve the revised revenue budget for 2021/22 (Appendix A).

(ii) Approve the draft 2022/23 revenue budget (Appendix A)

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

(iv) Agree that the absolute minimum level of reserves that shall be retained is £6m (plus General Fund Balance) and that if reserves look to fall below this level urgent action be taken to limit this and restore the reserves as soon as possible to recommended levels; and that Full Council be advised of the actions being taken.

(v) Approve the Capital Programme 2021/22 (revised) to 2024/25 (Appendix P).

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

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

(viii) Agree again 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 to fund its Capital programme.

(ix) 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.

(x) 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.

(xi) Agree that, no Council properties or land be disposed of, either by sale or lease, at less than market value without further express approval by Full Council - except where the lease is no longer than 5 years and the difference is less than £5,000 p.a. in which case Cabinet will have the authority to determine.

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

(xiii) 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.

(xiv) 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).

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

(xvi) 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.

(xvii) It is recommended that the Council reviews the affordability of the Council Tax Support Scheme during the early part of 2022/23 in order for a consultation exercise to be undertaken.

(xviii) A task force be set up urgently to help identify and make recommendations to Council on alternative options to control, and reduce, spiralling Temporary Accommodation costs.

Reasons for Recommendations

1. The Council is under severe financial pressure. It is facing increased costs, particularly from inflation and homelessness, it has large Capital projects in the pipeline and must by law set a balanced budget. It has had to use large elements of its reserves to fund the cost pressures and to balance the budgets in each of the last few years and will need to do so again in 2022/23.

2. A major overhaul of the funding mechanism for local authorities has again been postponed and when combined with a Spending Review that continues to underfund disadvantaged councils will leave the Council with little option but to cut services to the barest minimum. The Council is able to increase Council Tax by a maximum of 1.99% without a referendum against a background of inflation currently running at above 5%.

3. Despite identifying Priority Income and Expenditure Review (PIER) savings of £1.36m for 2022/23 these are insufficient to balance the budget without the further use of Reserves. Once again further significant savings need to be found during 2022/23 in order to reduce the call on the Reserves, achieve a balanced budget in future years, and to try 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 Covid-19 crisis and one off expenditure items such as dangerous structures, cliffs and reservoir works. The increased in–year spend on temporary housing accommodation necessitates a much greater degree of service reductions elsewhere in the Council.

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.

6. The government provided additional funding for Covid-19 in 2020/21 and 2021/22, which has significantly helped the financial position. However even with this additional assistance the Council's costs have exceeded the income it receives and overall there is less government funding for the Council in 2022/23.

Introduction

1. The Council continues to find itself in a very challenging financial period that is anticipated to continue for the foreseeable future. The Council when setting the budget in February 2021 forecast that there would be a deficit in 2021/22 of £1,482,931. Following in year savings the revised budget identifies a deficit of £547,000. This figure does not take account of changes to bad debt provisions or further negative impacts of Covid-19 on the last 3 months of the financial year.

2. For **2022/23** the deficit is estimated at some £2.172m if all savings identified in the report are accepted.

3. Whilst the Council has identified savings of some £1.356m for 2022/23, it is also incurring additional expenditure and expects ongoing difficulties with some income streams e.g. Council Tax, Business Rates and rental income. The level of risk within the budget and uncertainty within the forecasts has increased – particularly the continued uncertainties surrounding Covid, business rate income, and significantly higher demands on services.

4. Temporary accommodation costs have continued to increase dramatically throughout the current year. The existing 2021/22 budget is £3,690,000 (gross) and costs are estimated to increase to £4,373,000 (gross) – a £684,000 (£336,000 net) increase. In 2022/23 full year costs are estimated to be £4,929,000 – an increase of £1,238,000 (£783,000 net).

5. 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 yet this initiative is only slowing the impact on the spiralling costs. Some redirection of Flexible Homeless Support grant is occurring to offset these costs.

6. The Fair Funding Review (the level and distribution of the monies between Councils) has again been postponed. It was made clear in November 2021 that councils' share of business rate growth would not be increased from the current level of 50%.

7. The New Homes Bonus Scheme was extended for 2022/23 but what will replace it, if anything, provides more uncertainty. What does appear to be clearer is that of the funding available those providing adult and children's care services will continue to receive greater priority – along with the police and teaching professions.

8. The Council was already facing its most challenging financial period before Covid-19 and now finds itself facing even higher demand pressures. 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.

9. Going forward the council can only sustain new initiatives where it can resource these in financial and human terms. 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.

10. Whilst the Covid-19 crisis persists, if the Council is to survive, it must concentrate on

    - reviewing existing budgets and service provision,
    - delivering those projects that produce income or have significant health and safety, legal obligations, or climate change implications,
    - delivering those regeneration and economic development schemes that have significant funding attached.

11. **As reported in February 2021 the Council could potentially reach the point where unallocated reserves would meet the minimum recommended level that the Council should hold (£6m). A report in November 2021 identified that the Council needed to make further immediate in-year savings to avoid this – bringing in year savings to some £851,000.**

12. **With demand and cost pressures continuing to increase there has been limited time to undertake further service reviews and implement complex measures in preparation for the 2022/23 budget. The Council must continue to identify large savings and make them. If the Council is not able to identify a way of achieving a balanced budget, it will not be able to fund the upfront costs of schemes and expenditure that cannot be capitalised e.g. feasibility studies. It should not be entering any contracts which it will not be able to fulfil, whether it be because of limited funds or due to cash flow issues.**

13. 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 no real term increase in funding. The Covid-19 pandemic has not unexpectedly stretched the Council's already limited resources and has inevitably delayed the identification of further cuts.

14. **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**.

15. 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 housing

plans, 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 (£24.3m for Hastings) it is critical to establish an attractive framework to encourage investment and ensure the Council's resources are effectively focused in partnership with others.

16. 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 demand, that the Council continues to experience, has been possible to fund largely because the Council has retained sufficient reserves – the alternative being even more drastic in year service cuts.

17. A number of amendments to the budget figures are expected from those 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, and the re-calculation of business rate income.

Strategic Priorities

18. The Council's strategic priorities have been reviewed for 2022/23 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.

19. 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

20. 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.

21. The Council has a very good track record of achieving its objectives and improving performance and will look to further enhance income streams too. To deliver the key elements of its programme in 2022/23 the Council must substantially refine its priorities. Significantly reduced resources will inevitably impact on service delivery in the years ahead.

Financial Planning - Medium Term Financial Strategy

22. The Medium Term Financial Strategy, approved in November 2021, provided indicative budget forecasts for the 4 year period 2021/22 to 2024/25. These have been updated within the budget papers attached.

23. 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 integrates the financial and policy planning procedures of the Council.

24. That robustness of the Strategy 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. However the spiralling homelessness costs are necessitating a wholesale review of what is actually deliverable in the future given the statutory burdens being placed on the Council.

(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 previous 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 2022/23.

(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 all but 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.

(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 and ever increasing costs. 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, as are General Reserves and this will impact significantly on Council priorities in future years and its ability to provide services or undertake new projects – let alone meet unforeseen costs.

(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 last report produced by the Council's external auditors on the Final Accounts gave a positive opinion on the Council's provision of value for money services. The level of scrutiny by external audit on achieving Best Value is set to increase significantly in the years to come with additional requirements being placed on external auditors to report more fully.

(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 without a costly referendum, 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.

25. 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.

26. Key prudential indicators are included in the Treasury Management Strategy, Additional guidance was received in November 2019 from CIPFA – "Prudential Property Investment" and a whole new Code of Practice is being introduced for 2022/23 – as detailed in the Treasury Management Strategy.

The Key Factors Impacting on the Budget

Spending Review, Review of Relative Needs and Resources (Formerly the Fair Funding Review) & Business Rates Retention

27. The government's 2021 Spending Review has provided funding projections for local government as a whole for the next three years. However, Councils have received details of funding for just 2022/23.

28. 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 at 50% – and any future increase to 75% or 100% has been abandoned.

29. 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. The government review of funding (reallocation) is expected to commence again in 2022/23.

Revenue Support Grant (RSG)

30. The Council receives Revenue Support Grant and also retains a percentage of business rates (base line funding level).

31. The RSG amounts to £1,040,989 in 2022/23 (£1,009,837 in 2021/22) – and represents an increase of £31,000 (3.1%). With CPI running at 5.1% this is a cut in real terms.

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 was again postponed – it is now due in April 2023.

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. The baseline funding level will be frozen for 2022/23 as the government are freezing the business rate multiplier (49.9p) – to help businesses. The Council will be compensated by additional Section 31 grant for the monies it would otherwise have collected.

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

39. As at the end of November 2021, the net amount due for the year amounted to £18,852,147. This is significantly less than the £21,520,000 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 for the first 3 months of 2021/22.

40. Of this £18.852m, £12.78m (68.88%) had been collected by the end of November 2021. This is 3.81% less than that collected at the same stage last year and is 7.92% below the 2021/22 target. In cash terms, using these percentages, this would represent £707,000 less than at the same stage as last year and £1,471,000 less than the target.

Business Rates Income – 2022/23

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. In the 2020 budget the government announced a whole raft of business rate exemptions and discounts for the year. This effectively reduced the level of business rates collectable by over £12m and has resulted in a very large deficit on the Collection Fund. Whilst this sum has been reimbursed by Section 31 grant monies from the government, the deficit has remained on the fund due to accounting requirements with government monies being required to be retained in Reserves in order to meet the deficit in 2022/23 (circa £5.1m).

43. The majority of the exemptions and discounts were due to end on 31 March 2021, but the Chancellor extended some reliefs for 3 months in his budget on 3 March 2021.

44. The rateable value (RV) of business properties at the start of the 2022/23 year is forecast to be **£62.85m.** However, given the level of appeals, non-payments, and bad debt levels, forecasting income levels for 2022/23 and beyond remains highly 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 2022/23 (some £7.8m). 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 2022/23. The estimate of the business rate income collected that will be retained by the Council in 2022/23 as a result of entering into the Business rate pool amounts to £2,052,000. In addition there is Section 31 money from the government which brings the total expected income from business rates to around £4.1m in total. The split between Section 31 grant monies and direct collection remains variable.

46. The Council will remain in the pooling arrangement within East Sussex for 2022/23 as there is still considered to be a significant benefit - to the other participants in particular.

47. The continuous changes to the legislation and the calls on a national basis to reform business rates completely provides major uncertainty for what was once intended to be the major source of external funding for councils.

External Funding – Annual Grant Settlement

48. The 2022/23 provisional finance settlement was finally announced on 18 December 2021 with the final settlement figures expected in February 2022 (last year there were no changes between the provisional and final settlement).

49. The settlement provides details of the Revenue Support Grant and level of Business Rates that the government expects councils to retain – the Settlement Funding Assessment.

50. **Lower Tier Services Grant**: This was 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. For 2022/23 the grant amounts to £171,332 (an increase of £8,671 or 5.3%).

51. **Service Grant** – This is a new grant in the sum of **£263,307** but is **payable just for 2022/23.**

External funding – Benefit and Council Tax Administration Grant

52. The Benefit Administration Grant amounts to £425,209 in 2022/23 (£411,383 in 2021/22). Details of the Council Tax Support Administration Grant receivable in 2022/23 is awaited (£156,974 in 2021/22).

53. 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 2022/23 is awaited (£311,674 in 2021/22). This funding will be fully subscribed.

54. **General Funding**

55. Through the pandemic the government provided 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 distributed more than £35m of grants and continues to do so. It is distributing Test and Trace payments, and a recently announced new round of business support grants, namely the Omicron Hospitality and Leisure Grant (£1,254,096), and more discretionary Additional Restrictions Grant (£119,339.40). There is also a new COVID- 19 Additional Relief Fund (£1,560,258), and additional funding from East Sussex County Council on the Household Support Fund (£90,000 in addition to the £195,000 previously allocated).

56. The Council received un-ringfenced government funding in 2021/22, totalling £698,682, towards the additional costs it faces e.g. supporting local people, homelessness, rough sleepers, etc. With the loss of this grant, and despite additional Service grant monies the level of government funding support for 2022/23 is less than 2021/22 and yet expenditure pressures are increasing.

Spreading of 2020/21 Council Tax and Business Rates Deficits – Impact on 2022/23

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

spread. These deficits are being funded by monies set aside for this purpose in the Resilience and Stability Reserve.

Council Tax Support Scheme (CTSS) – Impact on 2022/23

58. The government allocated £670m to help finance the costs of additional Council Tax Support Scheme Costs in 2021/22. HBC received some £199,520 as a Section 31 grant. This grant scheme **has not** been repeated for 2022/23.

2020/21 Local Tax Income Guarantee Scheme (TIGS)- Impact on 2022/23

59. Last year the government announced a £762m support package for Council Tax and business rate income. The scheme would compensate for 75% of the irrecoverable income losses accrued during 2020/21 as reported after year end i.e. bad debts. The losses would approximate the deficits on the Collection Fund, save that it excluded prior year deficits. The assessment and calculation of the bad debts has a significant impact on the Council's accounts over several years.

60. The income received from TIGS (£136,875) in 2021/22 was accrued into 2020/21, with the intention of it being used to offset the major deficit on the Collection Fund as the position unwinds in 2022/23. This money being credited to a specially created Reserve for this purpose.

External Funding - New Homes Bonus

61. 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 2022/23 amounting to £158,442 in total . This is down from £173,162 in 2021/22 - **a funding loss of £14,720**.

62. 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 £8,960 in respect of this aspect for 2022/23.

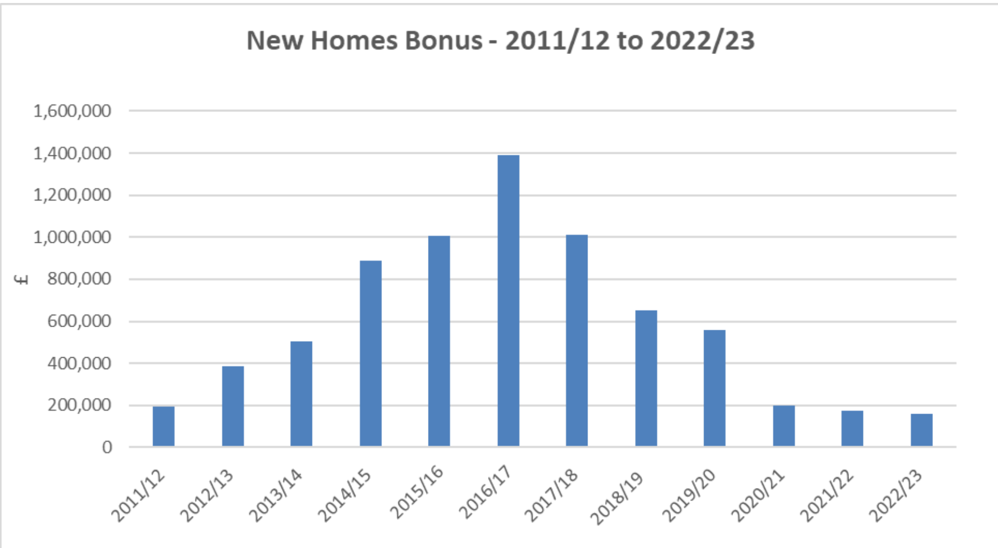
63. The Council Tax Base return (CTB 1 in October each year) identifies the number of new properties completed and the number of long term empty properties brought back into use (net). The funding for 2022/23, like that for 2021/22, is a "one-off" with no ongoing legacy payments.

64. The table below shows the estimated New Homes Bonus receivable by the Council in 2022/23 compared to previous years.

Table: New Homes Bonus

Year	2017/18	2018/19	2019/20	2020/21	2021/22	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	
Year 12						132,122
Total	1,008,964	649,559	556,337	199,482	173,162	158,442

65. The graph below identifies the funding levels since 2011/12 and the massive reductions since 2016/17.



66. 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.

67. As identified in February 2019 there was a real risk that this grant regime would be ended as part of the “Fair Funding review” and not be replaced. The government have previously 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. As it stands the Council will **lose £158,442 in 2023/24.**

Summarised Grant Position

68. For the period 2010/11 to 2022/23 the reduction in cash grant funding is estimated at 69% 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 significantly more).

69. In 2022/23 the Council will receive business rate income and also Revenue Support Grant (additional £31k) at a combined level that is similar to the Settlement Funding Assessment for 2021/22. New Homes Bonus is however some **£14,720** less than in 2021/22 as detailed in the report and is set to end. The Lower Tier Services Grant amounting to **£171,333 (increase of £8,672)** and a new Services grant of **£263,308** (for 2022/23 only) will assist the Council.

    However, funding of **£698,862** in unringfenced grant to help meet costs/income losses through 2021/22 is not being repeated in 2022/23 and nor is the Council Tax Support funding (£199,520). Likewise, the Lost Income Compensation scheme is not continuing: This provided a safety net for further income losses (from Sales, Fees and Charges only – it excluded rents); the claim for 2021/22 amounting to some £54,000 for the first 3 months of 2021/22.

70. Whilst there had been very significant additional financial assistance from the government in 2020/21 and 2021/22, the ability to forward plan has remained challenging in the absence of any clarity on future funding and resources directed to managing Covid-19 implications. In the meantime, the Council loses income, 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 the most significant financial and resource challenges it has ever faced – and there has already been many in the last 12 years.**

Fees and Charges (Including Car Parking)

71. The Council now has limited reserves and remains heavily reliant upon income streams and investment returns to help 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.

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

73. 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).

74. A separate report on Fees and Charges was presented to Cabinet in January 2022, which agreed to increase most fees, including car parking charges in Council owned car parks.

Investment and Borrowing

75. Base rates decreased in March 2020 firstly to 0.25% (from 0.75%) and then to 0.1% where they remained until December 2022 when they were increased to 0.25%. Treasury advisers are now anticipating further rate rises in 2022/23.

76. Given the restricted counterparties list, investment returns of around 0.4% (excluding property funds) are currently estimated for 2022/23. The Treasury Management Strategy will continue to advocate a policy of keeping the respective levels of debt and investment under review.

77. The Council will have additional borrowing requirements of some £3.9m in 2021/22 to finance the capital schemes, and some £9.6m in 2022/23 (could be far higher if Capital receipts are not received).

78. In 2022/23 and beyond borrowing requirements are high given the ambitious plans of the Council. The affordability of some of these plans needs to be properly tested, on a regular basis given the ongoing uncertainty around Council funding, and the level of reserves available. The Capital programme does not include the building out of the Bexhill Lower Tier site, nor all the Towns Fund schemes – just those accelerated schemes.

79. 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 again **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.

80. The Capital programme if approved will increase borrowing levels to some £93.6m by 2024/25 and potentially far greater thereafter. The 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 could proceed if appropriate funding is identified.

81. **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

82. This had not been a major risk over the last couple of years but has now increased significantly. November 2021 saw it increase to 7.1% (Retail Price Index) whilst the government's preferred measure CPI (Consumer Price Index) was 5.1%. Inflation (CPI), according to the government's projections (as per Monetary Policy Committee, August 2021) is expected to return to the 2% target level by late 2023. There are particular increases in fuel and energy costs and building materials, and contract costs linked to inflation.

83. Based upon the above projections, contract inflation is being allowed for at 3% overall for 2022/23 and beyond as many of the increases are determined on this year's indices. Inflation will need to be brought under control quickly for costs to be contained within these estimates. 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

84. The salary increase for 2021/22 has not yet been agreed, with the offer currently standing at 1.75% (backdated to April 2021) being rejected by the unions. This level of increase was not allowed for when setting the annual budget for 2021/22 (the government's limits being included). There are also contractual increments (equivalent of around ½%) which have been allowed for.

85. The salaries budget together with national insurance and pension costs amount to some £13.2m in 2022/23.

86. The Council remains committed to paying the accredited living wage of £9.90 per hour (for over 18's from 1 April 2022 – up from £9.50p/h (a 4.2% increase). This is higher than the national minimum/living wage - which increases to £9.50 from 1 April 2021 from £8.91 (a 6.6% increase). These payment levels were extended to the over 23's (previously over 25's).

87. The budget allows for a 2% pay increase in 2022/23 (plus increments), and this estimate may be too low if inflation remains high for long. Any increase above this would need to be met from Contingency.

Universal Credit and Benefit Administration Grant

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

89. The impact of the change has been a reduction in new benefit claims, an increase in questions and support, and until last year a significant reduction in the Housing Benefit Administration grant receivable. Covid-19 has resulted in significantly more people becoming eligible for Universal Credit as they have been on furlough or their circumstances have changed in the last 18 months. Of the 5,499 claiming Housing Benefits (at the 31 August 2021) an estimated 460 could potentially still transfer onto Universal Credit.

90. It should be noted that the final stage and timeline for converting existing working age Housing Benefit claims onto Universal Credit was to be completed by 2022 and whether this deadline remains is unclear. There does now appear to be some plans for the transfer of pensioners to Universal Credit in a few years' time but there are no details on the more complex cases moving away from Housing Benefit. The retention of the pensioner and complex cases has resulted in the Council retaining some 40% of benefit cases.

91. The Department for Work and Pensions (DWP) continue to provide some additional funding to the Council; this 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.

92. The Benefit Administration Grant for 2021/22 was £411,383. The figure for 2022/23 is £425,209 (an increase of £13,826).

93. The level of Council Tax Support Administration Grant receivable in 2021/22 was £156,974. The figure for 2022/23 is as yet unknown – the 2021/22 grant was only advised in May 2021.

94. 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 also adding an extra layer of complexity to the Council Tax Support Scheme.

Council Tax Support Scheme

95. In 2013/14 the government paid an upfront grant in respect of Council Tax Support/Benefit, leaving the Council to fund any "in year" increase in demand. In 2014/15 the Council Tax Support Grant was rolled into the Settlement Funding Assessment and thus effectively decreases in line with the annual reductions in government grant funding. The Council determined that the Council Tax Support Scheme would remain the same for 2015/16, 2016/17, 2017/18 and 2018/19. In 2019/20 the Council retained 100% support for those most in need but made various changes to the scheme e.g. limiting assistance to the maximum of a Band D equivalent property.

96. The other East Sussex Councils amended their schemes for 2016/17 given the ever increasing unaffordability of the scheme. The major change made by them being that all households of working age made a minimum 20% payment. Options were again being explored by this Council for 2020/21 which included minimum payments of 3%, 10%, or 15%. Following a review by lead members the Council did not make any amendments to the scheme for 2020/21 or for 2021/22.

97. The projections were that due to Covid-19 and subsequent unemployment levels the cost of the scheme could increase significantly from the £10.8m in 2020/21 to some £12.4m in 2021/22. This has not occurred to date and current estimated annualised cost of the scheme is £11.1m p.a. There were 9,208 claimants as of 12 January 2022, compared to 9,505 on 31 March 2021.

98. Lead members considered the scheme again this year and it is again proposed that there will not be any material change to the scheme for 2022/23 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.**

99. The Council Tax Reduction Scheme continues to pose a significant financial risk for the Council. 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.

100. **It is recommended that the Council reviews the affordability of the scheme during the early part of 2022/23**, as significant levels of consultation and lead in times for software changes are required when amending schemes such as this.

Pension Fund Contributions

101. 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.

102. The actuary calculated that the fund liabilities in respect of Hastings staff (past and present) amounted to £122,444,000 whilst assets amounted to £122,188,000. This represented a deficit of some £256,000 and represented a significant improvement in the position of the fund within a short space of time. At a presentation in November 2021 the actuary considered that overall the fund is in surplus.

103. However, the valuation of assets and liabilities for final account purposes must follow a set of prescribed rules which are different, and this calculation shows a deficit of some £46.2m on the Council's part of the fund as at 31 March 2021.

104. The actual rates (cash) 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 (some 6.5%)
    2021/2022 is : 17.6% +0.75% + secondary contribution rate of £508,000 (some 6.0%)
    2022/2023 is : 17.6% +0.75% + secondary contribution rate of £476,000 (some 5.5%)

105. Despite the increased deficit there are no moves by the actuary to increase contribution rates as their calculations identify that the scheme is fully funded. The reductions in secondary contributions in 2022/23, amounting to £32,000, are expected to offset the impact of the annual increase in pay on pension costs.

106. A new valuation exercise is being undertaken and new rates will become payable from 2023/24.

Staffing, Information Technology and Property

107. 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.

108. 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

109. 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, Welcome Back Funding ,Sustainable Warmth Fund.

110. 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) **Towns Fund** – this is a £3.6bn national initiative focusing on 100 towns of which Hastings is one. The Council was invited to submit proposals for a £25m funded grant to aid further transformation and received an offer of £24.3m for the delivery of the investment proposals put forward.

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

111. 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. Securing the grant has been a significant accomplishment and started a major item of work for the Council and its partners.

Levelling Up Fund

112. 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. The Council has received £125,000 to work up proposals.

UK Shared Prosperity Fund (UKSPF)

113. 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.

Revised Budget 2021/22

114. Since determining the budget in February 2021, the Council's budget and its limited resources have continued to be impacted by the effects of homelessness, Covid-19 and other expenditure pressures. The Council has continued to be at the forefront of delivering the government's initiatives to assist businesses and citizens alike.

115. The Council's income streams have been impacted e.g. car parking, rental income, Council tax and business rates. There has been additional costs and demand pressures – particularly around homelessness and rough sleeping.

116. The government extended the business rate relief scheme for the first three months of the year 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 so for some time.

117. The government have provided some new burdens funding (£73,000) to cover administration costs in respect of administering the Business grant scheme into 2021/22 (Restart) and the

Additional Restrictions Grant. New burdens monies continue to be received for the Test and Trace administration and also in respect of the fraud assurance programmes that have been set up; these are likely to be in place throughout 2021/22 and potentially beyond and will have continuing resource implications. There are further new burdens monies due – details awaited.

118. **The revised 2021/22 total service expenditure budget amounts to £14.1m, against an original budget of £13.5m (Appendix A). The original deficit was estimated at £1.483m and is now projected to be in the region of £547,000 as a result of receiving new burdens funding, timing of Capital spending and new borrowing, identifying further in year savings and after accommodating the higher costs of homelessness, inflationary pressures and one off costs such as the Battle Road remediation works.**

The main income and expenditure variations are summarised in Appendix C.

119. The Council had saving plans for 2021/22 amounting to some £484,000 and additional cost pressures were identified in the budget of £1,359,000 e.g. homelessness, country park.

120. The additional cost pressures in respect of temporary accommodation have exceeded the massive £1.6m increase (£1,075,000 net) already allowed for when setting the 2021/22 budget in February 2021, and a further big increase is being projected for 2022/23.

Homelessness and Rough Sleeping Grants

121. A Winter Homelessness Prevention Grant has recently been received amounting to £226,066.

122. The Council has been buying properties (£5.324m) to reduce the overall costs of homelessness and has been successful in accessing further funding. £1.855m is included in the Capital programme for purchasing properties under the Next Steps Accommodation pathway in 2021/22.

123. Even with the additional grant monies received to date the service expects there to be a budget deficit on homelessness of some £336,000 in 2021/22.

Capital Expenditure (2021/22)

124. There have been a number of amendments agreed to the Capital programme budget by Council since approval in February 2021. Additional monies have been allocated for Harold Place and the Buckshole Reservoir works. The revised timescales result in a shift of the Capital programme towards 2022/23 and 2023/24, with net capital expenditure expected to be £3.841m in 2021/22 rather than the £12.656 in the original budget; this reduces the borrowing requirement significantly in this financial year.

Budget 2022/23

125. The Council's total service expenditure in 2022/23 is estimated at £13.478m. This compares to a revised estimate of £14.113m for 2021/22. The total expenditure for the Council increases to £16.799m in 2022/23 once interest and borrowing are taken into account.

126. After allowing for a 1.99% increase in Council Tax and an increase in the Council tax base of 1%, the total funding to be met from Grant and the Collection Fund is estimated at £13.717m (down from £14.075m in 2021/22).

127. 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 however been decreased from £500,000 to £300,000 as a result of the reduced uncertainties, but will necessitate further in-year cuts if budgets are exceeded or there are significant expenditure priorities.

128. **A balanced budget can be achieved with the use of £2.172m of reserves in 2022/23 This deficit being funded from the Council's Resilience and Stability Reserve (£100,000) and the General Reserve (£2.072m). This leaves the General Reserves at £4.95m by March 2023 - which is well below the minimum level recommended (£6m).**

129. To help achieve the balanced budget for 2021/22, PIER saving targets were set as part of the budget setting process in February 2021 and again in November 2021; the achievement or otherwise of these will be reported formally to Cabinet in July 2022 but will be reviewed frequently.

130. Services need to continue to identify opportunities to make in-year savings during 2022/23 and investigate other ways of achieving corporate objectives when staff leave the organisation.

131. **After eleven years of funding reductions, there are few illusions left about the difficulty in identifying the further budget reductions required to achieve a balanced budget. The cuts directly impact on services, staff, and their families**.

As part of this year's budget process reductions of £1.356m have been identified for 2022/23, 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 theatre funding, land sales.

(i) Theatre Funding - £100k reduction per annum. The existing contract ends in January 2024 and a review of options will need to be considered.

(ii) Asset Sales – a number of asset sales are being proposed, and there will need to be substantially more to offset the costs of the Capital programme, and potentially to use Capital receipts to meet certain allowed revenue costs e.g. redundancies. The use of such receipts could avoid using earmarked receipts e.g. redundancy reserve and buy the Council a little more time to actually make the savings required or to help re-establish the reserves to recommended levels.

(iii) Reorganisation – savings in the Revenues and Benefits team have been proposed which will involve reorganisation and the introduction of enhanced web based self-service modules. A number of posts will be funded from external grants in 2022/23 onwards which provides a saving for a period, as do secondments.

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

Homelessness

133. Significant additional funding has been received in the last few years to help address the homelessness issues. For 2022/23 we will receive £1,078K (an additional £122k) in respect of homelessness. However, the additional net costs for homelessness in 2022/23 have been estimated at £783,000 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.

It is recommended that a taskforce group be set up to further review all the options that may be available to the Council to stop and then reduce the spiralling costs. Assumptions have been made that in 2023/24 and beyond that measures identified will be implemented and that ongoing reductions will be achieved.

Other Increases

134. Other Increases include:

(i) Reductions in grant funding e.g. New Homes Bonus,

(ii) Pay increases

(iii) Interest rates – Investments vs borrowing rates

(iv) Rateable values and appeals

(v) Local election

(vi) Inflation

135. The Invest to Save fund is all but exhausted. The remaining Invest to Save monies are committed. In February 2021 it was agreed that the use of the monies be determined under delegated powers. It is recommended that the use of any remaining monies is again determined for 2022/23 and beyond under delegated powers by the Chief Finance Officer in consultation with the leader of the Council.

136. The Capital programme is detailed separately in the report. The Council retains big aspirations to continue its programme of projects to invest in regeneration, housing, and culture in future years – with whatever resources it has or can attract to the borough.

137. 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.

138. 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.

139. The 2021/22 budget did not include for the costs in respect of emergency works at Battle Road (dangerous structure). The Council has had to undertake the works in default - the

costs are estimated at £525,000 and are a direct call on the General Reserve. Likewise the closure of the west hill lift in 2021/22 has resulted in a high repair cost and loss of revenue – a further direct call on reserves.

140. **In summary there is an estimated deficit of £2.172m in 2022/23.** Achieving a balanced budget in 2022/23 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.

141. **Priority must be to concentrate on achieving the savings identified in the PIER process as listed in Appendix K and make further expenditure cuts. Priorities also remain for enhancing and preserving existing income streams, asset sales, recovery of debt, and renegotiating contracts where possible.**

142. The PIER process will continue in 2022/23 and its immediate priorities will involve reviews across a number of council activities:

(i) Homelessness and temporary accommodation (Gross expenditure Budget £ 4.929m (£2.907m net)
(ii) Tourism and marketing, including decorative lighting, event funding, etc (Various budgets)
(iii) Ground Maintenance (Budget £1.324m net)
(iv) Reorganisation of service structures (Wages and Salaries – circa £13m)
(v) Civic Regalia (Estimated value -£100k to £200k one off capital receipt)
(vi) Bulky Waste – review and consider making free to those on means tested benefits
(vii) Planning Services – Sustainability of the service (Budget £836,000 net)
(viii) Gateway reviews of major projects – not all schemes may be affordable given changing priorities and inflationary pressures – unless external grant funding is available.
(ix) Asset reviews and disposals – these are now going to be imperative, and could involve disposal of assets that are being held for other purposes.
(x) New Environment Act and waste contract implications

Budget 2023/24 and beyond

143. The Local Government Settlement in December has provided funding details for 2022/23 only. Based on the current assumption of no new monies being available to Borough and District Councils overall, this section makes a best estimate of future budget shortfalls.

144. The table below shows deficits of £2.654m in 2023/24, £2.674m in 2024/25, and £2.655m in 2025/26. 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.

	2021/22 (Revised) (£000's)	2022/23 (£000's)	2023/24 (£000's)	2024/25 (£000's)	2025/26 (£000's)
Net Expenditure	**14,622**	**15,889**	**16,226**	**16,684**	**17,021**
Funding	**(14,075)**	**(13,717)**	**(13,572)**	**(14,010)**	**(14,356)**
Shortfall	**547**	**2,172**	**2,654**	**2,674**	**2,665**
Use of Reserves	(547)	(100)	(100)		
Estimated Shortfall	**0**	**2,072**	**2,554**	**2674**	**2,665**

145. To achieve a balanced budget in 2023/24 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.

146. 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.

147. The deficits are significantly higher than those calculated in February 2021, mainly as a result of the additional ongoing homelessness costs. The 2022/23 budget includes the additional £263,000 in respect of a new Services Grant – this funding is only being made available in 2022/23. The projections for 2023/24 onwards include a reduction of £158,000 in respect of the New Homes Bonus – as there is no commitment for the scheme beyond this forthcoming year.

Council Tax

148. As at the end of November 2021, the net amount due for the year amounted to £58,312,680 and £45,609,726 (78.39%) had been collected. This was 1.83% more than that collected at the same stage last year and is some 0.65% above the 2019/20 levels. In cash terms this represents £376,000 more than at the same time in 2019/20, and £1,064,000 than in 2020/21.

149. The Council has been able to strengthen its recovery team in the last couple of years 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 has still been evident given the limited access to the courts earlier in the year, and the limited use of bailiffs to aid the recovery process.

150. The tax base for 2022/23 has been recalculated and is some 2% higher than 2021/22 as a result of a lower number of Council Tax Support claimants than projected and some additional new properties. The effect is to increase the tax base from 25,722 to 26,237 (an increase worth £147,000 p.a. to HBC alone).

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

Year	Hastings BC Tax Increase (%)	National Average (%)	Hastings BC Council Tax (£)
2010/11	1.90%	1.80%	235.85
2011/12	0.00%	0.00%	235.85
2012/13	0.00%	0.30%	235.85
2013/14	0.00%	0.80%	235.85
2014/15	0.00%	0.90%	235.85
2015/16	1.90%	1.10%	240.33
2016/17	2.1% (£5)	3.10%	245.33
2017/18	2.0% (£5)	4.00%	250.33
2018/19	2.99%	5.10%	257.81
2019/20	2.98%	4.70%	265.50
2020/21	1.99%	3.90%	270.78
2021/22	1.99%	4.40%	276.17

152. It is again open to the Council to increase Council Tax for 2022/23. One percent on the Council Tax will equate to around £72,458 of additional income for this Council on the revised tax base.

153. For 2022/23 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.

154. The figures in the appendices (Appendix M available at budget Council) show an indicative 1.99% increase for Hastings BC, a 4.5% increase for ESCC, 1.99% for the Fire Authority and a £10 increase for the Police and Crime Commissioner. (The actual increases will be advised by the respective authorities in due course).

155. Council Tax is at £276.17 p.a. (Band D – Hastings BC element) and a 1.99% increase for 2022/23 would take this to £281.67 p.a. This is a £5.50 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

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

157. 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.

158. 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 ambitious capital programme given the costs of borrowing.

159. 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.

160. 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, and that further assets reviews and disposals are made as a priority. It is currently possible to use capital receipts to fund certain expenditure e.g. redundancy costs, and is a course of action that the Council will now need to carefully consider – in order to potentially free up the use the of the redundancy reserve to help balance the budget . This does not assist in achieving a sustainable budget – but may buy a bit more time in order to do so.

161. 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.**

162. **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.** This has resulted in a number of relatively low value decisions now being put to full Council rather than being determined by Cabinet. It may be considered appropriate, despite the financial position of the Council, to set a threshold whereby rentals that are considered to be no more than £5,000 p.a. below market rentals can be determined by Cabinet e.g. for premises used for charitable purposes**.**

Capital Programme & Borrowing

163. The Capital programme (Appendix P) has not been immune to the impacts of Covid-19. The gross capital programme spend for 2021/22 is now estimated to be some £7.961m (Original budget £22.4m), with a net budget of £3.674m.

164. The revisions to the programme timing result in higher levels of expenditure in 2022/23 with gross expenditure estimated at £21.746m (£14.854m net). The level of borrowing required is expected to be some £9.62m after use of all available capital receipts.

165. The capital programme in summary is shown in the table below.

	Revised 2021/22 £'000s	2022/23 £'000s	2023/24 £'000s	2024/25 £'000s
Gross Capital Expenditure	7,961	21,746	13,229	8,141
Net Capital Expenditure	3,674	14,854	9,173	6,085
Financing from own resources	50	5,234	73	50
Borrowing Requirement	3,624	9,620	9,100	6,035

166. 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.

167. For 2021/22 there is slippage on a few schemes, including the restoration of Pelham Arcade Works and Roadway, Buckshole Reservoir in particular and the reprofiling of the timelines for others e.g. Energy (Solar).

168. 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), Bexhill Road (housing).

169. It had been the aspiration of the Council to develop out a number of its own sites, whilst urgently needing Capital receipts to fund other projects and avoid new borrowing. Given the severe housing need, and the need to reduce the temporary accommodation costs, the Capital programme proposals include the development, by the Council, of the Mayfield E and Bexhill Road (South) sites rather than direct disposal – such development to be subject to full viability and risk reports. **The Council cannot enter into a contract where it may not be able to afford the development costs or cope with the cash flow implications of undertaking many projects simultaneously**.

170. The level of Disabled Facility Grant (DFG) funding for 2021/22 was £2,056,655. The capital programme will be revised as and when DFG figures for 2022/23 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, with an estimated spend of £1.4m for 2021/22 – the projected underspends are transferred to an earmarked reserve, with a risk that they may need to be repaid. The service again advises that Covid -19 has resulted in delays and that it expects the money to be fully used. With significant reserves being held by authorities across East Sussex a County wide review is underway.

171. 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

172. It is proposed that **schemes marked with an asterisk (*)** proceed without further reference to Cabinet or Council. **Those that <u>do not</u> have an asterisk will need to have the agreement of Full Council to proceed.**

173. **Future Proposals:** Of significance are the potential schemes that will need funding in the long term e.g. new leisure centre, other Towns deal projects. 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 due to uncertainty as to amount, timing, and affordability.

174. 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 throughout the financial year if necessary.

Capital Programme – Impact on Revenue Account

175. 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).

176. The capital programme has significantly increased in the last few years, as economic and regeneration opportunities have been taken. In 2022/23 borrowing is set to increase to some £83m if Capital schemes proceed and approaches £94m by the end of 2024/25. This projection excludes the development of the Bexhill road site (North), other than for the flood remediation works funded externally; the Council may need to allow for an additional £30m of borrowing headroom if this were to be included. Likewise, the programme continues to exclude Town Fund projects, other than those already agreed.

Investment in Council Assets

177. 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.

178. 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.

179. 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 have all been funded from the reserve but further substantial calls on the reserve are anticipated.

180. There are major costs that will be incurred in respect of the concrete structures along the seafront. The latest survey and test results indicate that some £200,000 will need to be spent on concrete repairs to deal with the most urgent issues on a stretch of the esplanade between the Azur and the old bathing pool site – the survey indicates that this should be sufficient to extend the life for a further 5 years before more major repairs are required. In order to extend the life of the existing structures for a further 75 years some £8m would be required – a major capital scheme. A survey in the spring of the stretch between the old bathing pool site to the Carlisle is likely to highlight that works will also be required along this stretch of the esplanade.

Minimum Revenue Provision (MRP)

181. 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.

182. 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.

183. The MRP is set to increase in 2022/23 but not by as much as originally estimated as a result of the lower levels of capital spend in 2021/22. The MRP for 2022/23 is estimated at £1,741,000 (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.

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

CFR	2020/21 (unaudited) £'000s	2021/22 (Rev Est) £'000s	2022/23 (Estimate) £'000s	2023/24 (Estimate) £'000s	2024/25 (Estimate) £'000s
CFR-Opening	66,372	72,683	74,689	82,752	89,869
Less MRP	(1,500)	(1,668)	(1,741)	(2,006)	(2,327)
Plus New Borrowing	7,811	3,674	9,804	9,123	6,035
CFR Closing	**72,683**	**74,689**	**82,752**	**89,869**	**93,577**

185. 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 2022/23 and regularly thereafter, based on the proposed Capital programme, and subsequent changes and timing thereof.

186. New assets are generally financed over their useful lives e.g. 40 years for housing and exceptionally 50 years (where newly constructed). Vehicles, plant, and equipment are financed over their useful lives (generally 7 to 10 years). The electric vehicles being acquired will be leased as this is financially more viable.

Reserves

187. 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.

188. 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 elements of the Council's capital programme that can not be capitalised e.g. feasibility studies.

189. 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.

190. For the budget strategy reserves at 31 March 2022 are estimated to consist of General and Earmarked Reserves, namely:-

General Reserves	**Estimated Balance at 31.3.2022 £'000s**	**Estimated Balance at 31.3.2023 £'000s**
Revenue Reserves	7,024	4,952
Capital Reserve (Revenue monies)	150	100
Total	**7,174**	**5,052**

Earmarked Reserves	**Estimated Balance at 31.3.2022 £'000s**	**Estimated Balance at 31.3.2023 £'000s**
Renewals and Repairs Reserve	896	748
Insurance & Risk Management Reserve	300	285
IT Reserve	203	178
On Street Car Parking	40	40
Section 106 Reserve (Revenue)	416	367
Section 106 Reserve (Capital)	63	63
Government Grant Reserve	388	309
Monuments in Perpetuity	45	44
Ore Valley Reserve	250	250
Resilience and Stability Reserve	800	700
Redundancy Reserve	440	215
Safer Hastings Partnership	78	78
Disabled Facilities Grants Reserve (DFG'S)	4267	4267
Invest to Save and Efficiency Reserve	132	50

Carry Forward Reserve	0	0
Controlling Migration	116	
Towns Fund	53	0
Selective Licensing (Incl. redundancy)	0	0
Housing Licensing Reserve	404	232
Revenue Hardship Fund	80	80
Syrian Refugee resettlement Programme	0	0
Community Housing Fund	35	35
Total	**£9,007**	**£7,941**

191. At 31 March 2022 the General Reserve will amount to an estimated £7.024m (unaudited). The Capital Reserve has a balance of £150k which is already committed e.g. empty homes strategy. Earmarked Reserves amount to £9.007m of which a large element is not available to use on anything other than specific areas e.g. DFG grants.

192. The combined value of the General and Earmarked Reserves at 31 March 2022 are estimated at £16.181m (Excluding the business Rates Section 31 Reserve – which is effectively an accounting adjustment). The reserves are projected to decrease to £12.993m by 31 March 2023. The estimated reserves position is shown in more detail in Appendix H.

193. 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 2022/23 budget leaves the General Reserve below 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, NHS claim, dangerous structures, 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

194. 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.

195. **It is now estimated that there will be £4.952m of unallocated (at present) General Reserve by the end of 2022/23, and just £3.7m of earmarked reserves left at that time. The 2022/23 budget is supported not only by £2.072 of General Reserves but also by £1.699m of Earmarked reserves. 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 and meet future deficits.**

196. Should the Council not produce a balanced or sustainable budget during 2022/23 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 will become increasingly hard to finance.

197. 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), plus concrete repairs on the esplanade.

198. A sum of £400,000 was added to the Resilience and Stability Reserve in 2020/21 to help fund the 2021/22 deficit on the Collection fund which has to be spread over the next 3 years (HBC's share). A much larger sum of £4.959m has had to be added to the reserves in respect of the Business rate elements in the collection fund – the large deficit position unwinds in 2022/23 and the sums in the reserve are largely monies received from the government for this purpose.

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

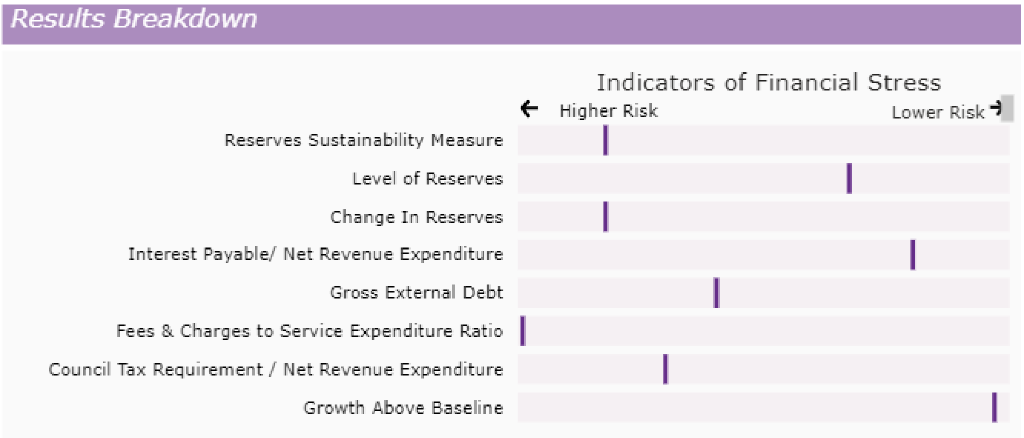
199. Flowing from the financial problems at Northampton CC, CIPFA developed a range of financial indicators relating to the resilience of local authorities given the funding crisis.

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

200. The 2021 Resilience Index published by Cipfa in February 2021 used 2019-20 figures. New figures are expected to be released in early 2022.

Table: Showing CIPFA Indicators of Financial Stress for Hastings BC



201. Whilst some of the comparative data is out of date, the implications remain largely unchanged. The key reserves sustainability measure places the Council once again in the high risk spectrum. The ones that are not in the higher risk includes the level of Reserves and level of earmarked reserves. This is misleading as the Council holds reserves e.g. Disabled facility Grant monies and section 106 monies that it cannot use for other purposes.

202. It needs to be made clear that these results are backward looking and the useable (by HBC) earmarked reserves are already committed e.g. includes Disabled Facility grants. The Council's external debt is increasing, and the total debt payments will also increase.

203. 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 – as does the reliance on external income sources.

Reserves

204. 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.

205. 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 has had to find even more savings during 2021/22 in order not to go below the minimum recommended level of reserves as a result of additional expenditure pressures.

206. 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 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.

207. 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 yet in this position.

Chief Finance Officer Statement

208. **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 generally sound and

that the involvement of senior managers in managing budgets provides a degree of assurance that the resultant estimates are as robust as present economic circumstances and limited resources allow. However, the degree of uncertainty when determining the likely level of income receipts for 21/22 and 22/23 is again unprecedented given the ongoing nature of the pandemic and the impact on the local economy. Likewise the spiralling costs of Temporary Accommodation are a real cause for concern, along with the ability of the Council to make budget savings. The Council needs to be aware that the call on reserves could therefore be significantly higher than the current budget estimates allow.

(ii) the reserves have been adequate to deal with the pandemic and the increase in unexpected costs and homelessness in 2021/22. However, reserves will fall significantly below the minimum recommended level of £6m in 2022/23 if there are no further savings identified quickly to offset the spiralling and ongoing costs the Council is facing.

(iii) The reserves need to be preserved given the uncertainties surrounding future funding streams and expenditure pressures e.g. inflation, wage increases, unexpected events, and the difficulties that will be faced in identifying and achieving more savings or generating additional income. Using more of the unallocated reserves will risk the future sustainability of the Council, its ability to fund Capital projects and to manage unforeseen events.

(iv) The reserves would not be considered adequate to undertake any number of large capital schemes before securing a sustainable budget position. 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.

(v) Financial monitoring and control within the Council was strengthened when setting the 2020/21 budget, and full Council were involved in determining in-year budget reductions in the late autumn of 2021/22 when facing significantly higher homelessness costs. Any further management restructure will need to ensure that the Council 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 as there is only a very limited level of contingency. Financial reporting needs to be enhanced.

(vi) 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 2022/23, which when combined with the need to achieve more PIER savings, undertake further reorganisation, deliver a large number of high value projects, against a background of higher demand, presents serious challenges for the Council to achieve in what is now a relatively short timescale.

(vii) The Council will need to prioritise, much more than it has done so already, the identification and delivery of budget reductions and the sale of assets. It may well now need to dispose of assets to further fund the costs of transition to a lower spending Council – and will need to do early in 2022/23.

Climate Change

209. The Council has made major commitments on climate change and the budget supports the objectives set out in the Corporate Plan to achieve 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.

210. 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. The Council will for example be leasing a number of electric vehicles following a review of service requirements.

Equalities and Community Cohesiveness

211. 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).

212. 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

213. Numerous risks are highlighted in this report, and further comment is made below. The Council did not specifically identify the pandemic in its risk register but has prudently maintained reserves for unforeseen events. The Council's policy on reserve levels has stood it in a good position to date.

214. Given uncertainty in the world economic outlook, the pandemic, and volatility of income streams 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 assets.

215. 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.

216. 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 2021 (SR21) provided some funding projections. The previously named Fair Funding Review (with a new grant funding regime) was postponed yet again.

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 less than anticipated in 2021/22 but the collection rates are much lower with a consequent impact on income.

(ii) **Income**

The Council has been seeking to grow its income streams over the last few years. Attention has moved to housing acquisition given the need to reduce homelessness costs. Codes of Practice surrounding Treasury Management prevent the use of borrowing purely for yield.

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 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, refugee schemes, housing company, etc. 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 Council should investigate a new scheme for 2023/24 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 2022/23.

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 2022/23. It remains to be seen whether this happens.

(vi) **Restructuring Costs.** In order to make savings of the magnitude still required , the Council will need to further reconsider what services it can provide and to what level - 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 2022/23 given changes to the national pension scheme rules. However, it will now need to consider whether it uses Capital receipts(if available) to meet these costs in order to try and preserve reserves and buy time to make savings.

(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.

(ix) **Potential Liabilities**

(i) **Business Rate Valuations/ Appeals** – The Valuation Office Agency (VOA) continue to work through appeals. The figures can be very large when they are backdated, and the Council is having to make provisions for up to 5 years.

(ii) **Cliffs** – A further £100,000 has been allocated from the Renewal and Repairs reserve for additional works in 2022/23. Further costs are expected to arise once further clearance and repair work is undertaken and additional monies will need to be identified in the future. The Renewal and Repairs reserve cannot sustain this level of expenditure indefinately.

(x) **The Economy** – Economic and financial uncertainty surrounding Covid-19 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 few years.`

(xii) **Asset Disposals –** the identification and sale of surplus or underperforming assets remains crucial to funding the Capital programme and minimising revenue costs.

(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.

(xix) **Land Charges** – The transfer of key parts of the service to the land registry could result in the further loss of income.

Economic/ Financial Implications

217. Corporate priorities rightly remain ambitious, but there are insufficient resources to produce a balanced budget for 2022/23 without again relying on the significant use of reserves.

218. The financial implications in 2022/23 and beyond are detailed in the report. **However, rapid and significant action must be taken by the Council to produce a sustainable budget beyond 2022/23.**

219. 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 any 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.

220. 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, volatility on business rates, and loss of new homes bonus after 2022/23, plus contract inflation and wage settlements.

221. The Council took further action in November 2021 to reduce spending and help ensure that reserves do not fall below the minimum recommended level by the end of 2021/22. They now look certain to do so during 2022/23 given the level of government funding, the added pressures of homelessness, and the ability to identify and achieve offsetting savings. The ongoing impact of Covid-19 on the economy and Hastings is difficult to determine and whilst the level of contingency has been decreased to £300,000 it may well be insufficient and further reports to full Council may be required in respect of the additional use of reserves.

Organisational Consequences

222. The consequence is that besides staff reductions, others must be redirected - at least temporarily, towards priority areas. Some service areas have a significant backlog of work and projects to catch up on in 2022/23 and some staff will be catching up on missed leave, whilst other experienced staff will have left the organisation.

223. 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

224. 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

225. 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

226. The draft Corporate Plan and Budget is the subject of consultation from Friday 14 January 2022. The closing date for comments 7 February 2022 being after the dispatch of the Cabinet agenda and therefore any comments received are reported verbally to Budget Cabinet which meets at 6pm on 7 February 2022. 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.

227. The full Council meets to set the budget on 16 February 2022.

Timetable of Next Steps

228. 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 14 January 2022	Consultation Closes 7 February 2021	Chief Finance Officer
Budget Cabinet		7 February 2022	Chief Finance Officer
Budget Council		16 February 2022	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 - 2022-2023

Hastings
Borough Council

Financial Services
www.hastings.gov.uk

Appendices to Budget Report

Contents:

Financial Services

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REVENUE BUDGET SUMMARY

Appendix A

	2021-2022 Original Budget £	2021-2022 Revised Budget £	2022-2023 Estimate Budget £
Directorates			
Corporate Resources	807,560	**637,460**	**445,430**
Operational Services	12,160,078	**13,476,340**	**12,732,840**
Direct Service Expenditure	12,967,638	**14,113,800**	**13,178,270**
Contingency Provision (incl. R&R Reserve)	500,000	**0**	**300,000**
Total Service Expenditure	13,467,638	**14,113,800**	**13,478,270**
Provision for the Repayment of Principal (MRP)	1,722,911	**1,668,155**	**1,741,200**
Net Interest (Earnings) / Payments	1,452,027	**1,304,375**	**1,579,758**
Total Expenditure	16,642,576	**17,086,330**	**16,799,228**
Amount to be met from Grant and Collection Fund			
Government Grant - Revenue Support Grant	(1,009,837)	**(1,009,837)**	**(1,040,990)**
Covid Grants (Unringfenced)	(698,862)	**(698,862)**	**0**
Lower Tier Services Grant	(162,661)	**(162,661)**	**(171,333)**
2022/23 Services Grant	0	**0**	**(263,308)**
New Homes Bonus	(173,162)	**(173,162)**	**(158,442)**
NNDR (Surplus) / Deficit	167,253	**167,253**	**100,000**
Council Tax (Surplus) / Deficit	(103,621)	**(103,621)**	**(51,824)**
Housing Benefit Administration Grant	(397,789)	**(411,383)**	**(425,209)**
Council Tax Support Admin Grant	(164,592)	**(156,974)**	**(156,974)**
Business Rates	(2,602,886)	**(2,602,886)**	**(2,051,632)**
Business Rates - Pooling	(1)	**(50,619)**	**(57,879)**
Business Rates - Section 31 Grant	(1,569,173)	**(1,569,173)**	**(2,049,368)**
Council Tax - Section 31 Grant	(199,520)	**(199,520)**	**0**
Council Tax	(7,103,645)	**(7,103,645)**	**(7,390,176)**
Total Funding	(14,018,495)	**(14,075,089)**	**(13,717,134)**
Funding deficit / (surplus)	2,624,081	**3,011,241**	**3,082,094**
Collection Fund - Deficit (20/21)			
NNDR - Deficit (2020/21)	-	-	**5,095,785**
Business Rates Section 31 Reserve	-	-	**(5,095,785)**
Net Position deficit/(surplus)	-	-	0
<u>Reserve movements</u>			
Contributions to Reserves (e.g. R&R)	723,150	**689,000**	**689,000**
Use of Earmarked Reserves (see Appendix H)	(1,864,300)	**(3,153,282)**	**(1,598,800)**
Net Contribution to/(from) Reserves	(1,141,150)	**(2,464,282)**	**(909,800)**
<u>Use of Reserves to fund Deficit</u>			
Transfer from Transition Reserve	0	**0**	**0**
Transfer from General Reserve	(1,282,931)	**(346,959)**	**(2,072,294)**
Transfer to/(from)Specific Reserve	(200,000)	**(200,000)**	**(100,000)**
Total	(1,482,931)	**(546,959)**	**(2,172,294)**
General Fund Movement	0	**0**	**0**
Net Council Expenditure	15,501,426	**14,622,048**	**15,889,428**

COUNCIL TAX

2021-2022 Total £	2021-2022 Band D £		2022-2023 Total £	2022-2023 Band D £	Increase %
14,018,495		Budget requirement	13,717,134		
(1,009,837)		Revenue Support Grant	(1,040,990)		
(164,592)		Council Tax Administration Support Grant	(156,974)		
(173,162)		New Homes Bonus	(158,442)		
63,632		Collection Fund (Surplus) / Deficit	48,176		
(3,028,005)		Other non-ring fenced grants	(2,967,096)		
(2,602,886)		Retained Business Rates	(2,051,632)		
7,103,645	**276.17**	**Borough Council Tax**	**7,390,176**	**281.67**	1.99%
39,715,797	1,544.04	County Council Precept	42,329,989	1,613.37	4.49%
2,506,094	97.43	Fire Authority Precept	2,607,171	99.37	1.99%
5,527,915	214.91	Police and Crime Commissioner Precept	5,900,964	224.91	4.65%
54,853,451	**2,132.55**	**Total Council Tax**	**58,228,299**	**2,219.32**	4.07%
	25,722	**Council Taxbase at Band D**		**26,237**	

TABLE OF COUNCIL TAX BANDS AND AMOUNTS :

2021-22 Total Amount	*Band and Value **	*Relationship to Band D*	*East Sussex C.C.*	*Police and Crime Commissioner*	*East Sussex Fire Authority*	*Hastings B.C.*	*2022-2023 Total Amount*
£1,421.69	A - up to £40,000	6 / 9	**£1,075.58**	**£149.94**	**£66.25**	**£187.78**	**£1,479.55**
£1,658.65	B - £40,001 up to £52,000	7 / 9	**£1,254.84**	**£174.93**	**£77.29**	**£219.08**	**£1,726.14**
£1,895.59	C - £52,001 up to £68,000	8 / 9	**£1,434.11**	**£199.92**	**£88.33**	**£250.37**	**£1,972.73**
£2,132.55	D - £68,001 up to £88,000	-	**£1,613.37**	**£224.91**	**£99.37**	**£281.67**	**£2,219.32**
£2,606.45	E - £88,001 up to £120,000	11 / 9	**£1,971.90**	**£274.89**	**£121.45**	**£344.26**	**£2,712.50**
£3,080.35	F - £120,001 up to £160,000	13 / 9	**£2,330.42**	**£324.87**	**£143.53**	**£406.86**	**£3,205.68**
£3,554.24	G - £160,001 up to £320,000	15 / 9	**£2,688.95**	**£374.85**	**£165.62**	**£469.45**	**£3,698.87**
£4,265.10	H - over £320,000	18 / 9	**£3,226.74**	**£449.82**	**£198.74**	**£563.34**	**£4,438.64**

43,744	Number of properties on Council Tax Banding List	43,842
£25,722	Each £1 of Council Tax at Band D will raise	£26,237

Appendix A (continued)

1. BUSINESS RATES BASELINE

	Budget 2021-22 Amount £	Revised Budget 2021-22 Amount £	Budget 2022-23 Amount £
NNDR Income			
Gross rateable value	61,565,469	62,858,915	62,858,915
Small business multiplier	49.9	49.9	49.9
Gross rates receivable	30,721,169	31,366,599	31,366,599
Reliefs and allowances for bad debt and appeals	(9,913,272)	(12,135,901)	(11,647,447)
Net rates less losses	20,807,897	19,230,698	19,719,152
Cost of Collection allowance	(132,166)	(130,460)	(132,166)
NNDR Income	20,675,731	19,100,238	19,586,986
Hastings BC Share (40%)	**8,270,292**	**7,640,095**	**7,834,794**
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	**5,667,405**	**5,667,404**	**5,667,405**
Levy calculation			
Total income	8,270,292	7,640,095	7,834,794
Add 50% small business relief	763,353	1,107,084	1,104,123
Add reliefs attracting Section 31 grant	314,049	942,217	779,520
Adjusted income	9,347,694	9,689,396	9,718,437
Less Tariff	(5,667,405)	(5,667,404)	(5,667,405)
	3,680,289	4,021,992	4,051,032
Baseline funding level	(3,819,518)	(3,819,518)	(3,819,518)
Growth	(139,228)	202,474	231,515
Levy payable (50%)	**1**	**101,237**	**115,757**
Pooling income (50% of levy / additional pool share)	**(1)**	**(50,619)**	**(57,879)**
Safety Net calculation			
Baseline funding level	3,819,518	3,819,518	3,819,518
Threshold (92.5% of baseline funding level)	3,533,054	3,533,054	3,533,054
Adjusted income less Tariff	3,680,289	4,021,992	4,051,032
Difference	147,235	488,938	517,978
Safety Net receivable	**0**	**0**	**0**
Business Rates Collection			
Business Rates precept	8,270,292	7,640,095	7,834,794
Tariff	(5,667,405)	(5,667,404)	(5,667,405)
Levy	(1)	(101,237)	(115,757)
Safety Net	0	0	0
Net Business Rates collection	**2,602,886**	**1,871,454**	**2,051,632**

2. COLLECTION FUND

	2021-22 Original Budget £	2021-22 Revised Budget £	2022-23 Estimate Budget £
Council Tax (Surplus) / Deficit	(103,621)	(103,621)	(51,824)
Non Domestic Rates (Surplus) / Deficit	167,253	167,253	5,195,785
Total Collection Fund (Surplus) / Deficit	**63,632**	**63,632**	**5,143,961**

INTEREST, MINIMUM REVENUE PROVISION & CONTRIBUTIONS TO RESERVES

Appendix B

	2021-22 Original Budget £000's	2021-22 Revised Budget £000's	2022-23 Estimated Outturn £000's
Net Interest Payments	1,452	1,304	1,580
Contributions to Reserves	723	689	689
Minimum Revenue Provision (Statutory provision for principal repayment arising from borrowing requirement)	1,723	1,668	1,741
Total	3,898	3,662	4,010

Interest	£000's	£000's	£000's
Gross Interest Payable	2,115	1,843	2,137
Gross Interest Received	(609)	(504)	(503)
Income and expenditure in relation to investment properties	(64)	(45)	(64)
Fees	10	10	10
	1,452	1,304	1,580

Contributions to Reserves	£000's	£000's	£000's
IT Reserve	214	189	189
Government Grant Reserve	0	0	0
Transfer to Specific Reserve re: Resilience and Stability Reserve	0	0	0
Transfer to Specific Reserve re: Housing Licensing	1	0	0
R&R General	420	420	420
R&R White Rock Theatre	80	80	80
R&R re: New Vehicles	8	0	0
	723	689	689
Total Contributions To Reserves	723	689	689

SUMMARISED FULL BUDGET VARIATION ANALYSIS **Appendix C**

	2021/22 Revised Budget		2022/23 Budget	
	£	£	£	£
2020/21 Budget Surplus / (Deficit)		(1,482,931)		(1,482,931)
Growth Items				
Inflation	0		(665,400)	
R&R Reserve funded items	(428,909)		0	
Fees and Charges	0		172,000	
PIER Growth / Change items -				
Waste and Environmental Enforcement Team - Lower Fixed Penalty income	(25,000)		(10,000)	
Legal Division - Lower level of costs being recovered	(10,000)		(10,000)	
Regeneration Activity - one off income removed	(25,000)		(25,000)	
Staffing - Planning and Enforcement	0		(59,000)	
Planning Policy - Development Plan	21,000		(117,000)	
External Audit Costs - 21/22 onwards (£25k less £5k additionl govt funding)	(20,000)		(20,000)	
		(487,909)		(734,400)
Savings				
PIER Savings - See Appendix K	1,071,509		1,355,580	
		1,071,509		1,355,580
Other changes				
(Increase) / Decrease in Provision for the Repayment of Principal (MRP)		54,756		(18,289)
(Increase) / Decrease in Contingency Provision		500,000		200,000
Additional interest costs		147,652		(127,731)
Government Grant - Revenue Support Grant		0		31,153
Lower Tier Services Grant		0		8,672
New Homes Bonus		0		(14,720)
Council Tax and NNDR Changes		56,594		357,362
R&R Reserve funded items		0		156,800
Factory Units and Other Properties		184,330		266,900
Other Expenditure		(227,512)		(242,412)
Homelessness		(336,120)		(783,000)
Controlling Migration Fund		(124,070)		33,300
Housing Licensing		(11,360)		175,760
Dangerous Structures		(522,500)		0
Local Plan		(135,990)		(201,820)
Towns Fund		(83,870)		120,000
Cliff Railways		(135,740)		(33,860)
(Increase) / Decrease Other Net Changes		1,386,202		(1,238,658)
Unfunded Deficit		(146,959)		(2,172,294)
Use of Reserves to fund deficit				
Transfer from General Reserve	346,959		2,072,294	
Transfer to/(from)Specific Reserve	(200,000)		100,000	
		146,959		2,172,294
Balance		**0**		**0**

Appendix D

CAPITAL PROGRAMME SUMMARY

		Original 2021/22 £'000	Revised 2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Subseq. Years £'000	Total over Prog Period £'000
Net cost by Service								
Corporate Resources		11,693	2,402	11,174	288	0	0	13,864
Operational Services		1,088	1,272	3,680	8,885	6,085	1,465	21,387
		12,781	**3,674**	**14,854**	**9,173**	**6,085**	**1,465**	**35,251**
Net cost by Status								
Committed Schemes	c	9,504	2,568	10,164	873	585	1,465	15,655
Uncommitted Schemes	u	318	34	200	2,300	2,000	0	4,534
New Schemes	n	2,959	1,072	4,490	6,000	3,500	0	15,062
		12,781	**3,674**	**14,854**	**9,173**	**6,085**	**1,465**	**35,251**
Gross cost of schemes analysed by service								
Corporate Resources		13,243	2,837	12,289	288	0	0	15,414
Operational Services		9,220	5,124	9,457	12,941	8,141	3,521	39,184
		22,463	**7,961**	**21,746**	**13,229**	**8,141**	**3,521**	**54,598**

CAPITAL PROGRAMME FINANCING STATEMENT

Appendix E

	2021/22 Original £'000	2021/22 Revised £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total over life of Programme £'000
Spending						
Capital Spending						
Total Gross Spend	22,463	7,961	21,746	13,229	8,141	51,077
Capital Grants and Contributions Received	(9,682)	(4,287)	(6,892)	(4,056)	(2,056)	(17,291)
Capital Requirement	**12,781**	**3,674**	**14,854**	**9,173**	**6,085**	**33,786**
Financing available						
New Capital receipts in year	5,030	50	6,019	250	50	6,369
Bfwd Capital Receipts	26	0	0	969	0	0
Total	5,056	50	6,019	1,219	50	6,369
Finance Used						
Capital Reserve / Revenue/R&R reserve	69	206	184	23	0	413
Capital Receipts used from asset sales	30	50	5,050	250	50	5,400
Capital receipts from prior years	26	0	0	0	0	0
Total Financing available from internal resources	**125**	**256**	**5,234**	**273**	**50**	**5,813**
Remaining Financing Requirement	**12,656**	**3,418**	**9,620**	**8,900**	**6,035**	**27,973**

Government Grant Reserves

Appendix F

Cost Centre Code	Description	Holding Account Code	Balance b/f 1 April 2021 £ 000's	Income & Transfers £ 000's	Expenditure & Transfers £ 000's	Balance c/f 31 March 2022 £ 000's	Income & Transfers £ 000's	Expenditure & Transfers £ 000's	Balance c/f 31 March 2023 £ 000's
20110	DCE-Revenues Division	Q1028	(417)	0	60	(357)	0	72	(286)
20124	EU Exit Funding Reserve	Q1039	(52)	0	52	0	0	0	0
20298	High Street Clean-up	Q1041	0	0	0	0	0	0	0
20216	FLAG	Q1011	0	0	0	0	0	0	0
20310	Local Authority Parks Improvement	Q1043	(1)	0	1	0	0	0	0
20262	Street Games	Q1032	0	0	0	0	0	0	0
20263	Sports for All	Q1030	0	0	0	0	0	0	0
20314	Countryside Stewardship	Q1007	(39)	0	8	(31)	0	8	(23)
	Total		**(510)**	**0**	**122**	**(388)**	**0**	**80**	**(309)**

Revenue Budget Forward Plan

Appendix G

Ref	Revenue Budget Forward Plan	2021-22 Budget £000's	2021-22 Revised Projection £000's	2022-23 Projection £000's	2023-24 Projection £000's	2024-25 Projection £000's	2025-26 Projection £000's
1	**Direct Service Expenditure (Net)**	**12,968**	**14,114**	**13,178**	**13,642**	**14,115**	**14,597**
2	**Funding Commitments:-**						
3	Election Costs (bi-annually)				(70)		(70)
4	**Savings/Additional Income Identified**						
5	**Previous PIER savings**						
6	Theatre - reduced contributions				(100)	(100)	(100)
7	Potential PIER savings/growth (net) at 30 December 2021				(78)	(78)	(78)
8	Income - Property				(70)	(70)	(70)
9	Income - re Schemes in Capital Programme				(187)	(715)	(1,146)
10	Fees and Charges				(60)	(120)	(180)
11	**Other:**						
12	Contingency Provision	500	0	300	300	300	300
13	Interest (net of Fees) & other Adjustments	1,452	1,304	1,580	1,753	1,935	2,040
14	Minimum Revenue Provision (excl. Inc Gen Adj)	1,723	1,668	1,741	2,006	2,327	2,638
15	Contribution to Reserves	723	689	689	689	689	689
16	Net Use of Earmarked Reserves	(1,864)	(3,153)	(1,599)	(1,599)	(1,599)	(1,599)
17	**Net Council Expenditure**	**15,502**	**14,622**	**15,889**	**16,226**	**16,684**	**17,021**
18	Taxbase	25,722	25,722	26,237	26,499	26,764	27,032
19	Council Tax	276.17	276.17	281.67	287.27	292.99	298.82
20	**Funding**						
21	From Collection Fund - Council Tax	(7,104)	(7,104)	(7,390)	(7,612)	(7,842)	(8,078)
22	From Collection Fund - Business Rates	(2,603)	(2,603)	(2,052)	(2,093)	(2,135)	(2,177)
23	Revenue Support Grant	(1,010)	(1,010)	(1,041)	(1,062)	(1,083)	(1,105)
24	Covid Grants Unringfenced	(699)	(699)				
25	2022/23 Services Grant			(263)			
26	Lower Tier Services Grant	(163)	(163)	(171)	(175)	(178)	(182)
27	New Homes Bonus	(173)	(173)	(158)	0	0	0
28	Council Tax Support Admin Grant	(165)	(157)	(157)	(157)	(157)	(157)
29	Housing Benefit Admin Grant	(398)	(411)	(425)	(425)	(425)	(425)
30	NNDR (Surplus) / Deficit	167	167	100	100	0	0
31	NNDR Pooling	(0)	(51)	(58)	(58)	(58)	(58)
32	Business Rates Section 31 Grant	(1,569)	(1,569)	(2,049)	(2,090)	(2,132)	(2,175)
33	Council Tax - Section 31 Grant	(200)	(200)				
34	Council Tax Surplus	(104)	(104)	(52)	0	0	0
35	**Contribution To General Fund**	**(14,019)**	**(14,075)**	**(13,717)**	**(13,572)**	**(14,010)**	**(14,356)**
36							
37	**Funding Shortfall / (Surplus)**	**1,483**	**547**	**2,172**	**2,654**	**2,674**	**2,665**
38							
39	**Use of General Reserve**	(1,283)	(347)	0	0	0	0
40							
41	**Use of Resilience and Stability Reserve**	(200)	(200)	(100)	(100)	0	0
42							
43	**Net Funding Shortfall / (Surplus)**	**0**	**0**	**2,072**	**2,554**	**2,674**	**2,665**

RESERVES **Appendix H**

	2021 / 22				2022 / 23		
	Balance at 1 April 2021 £'000	Income & Transfers £'000	Expenditure & Transfers £'000	**Balance at 31 Mar 2022 £'000**	Income & Transfers £'000	Expenditure & Transfers £'000	**Balance at 31 Mar 2023 £'000**
General Reserve	(7,159)	(212)	347	**(7,024)**	0	2,072	**(4,952)**
Capital Reserve	(150)	0	0	**(150)**	0	50	**(100)**
Earmarked Reserves							
Renewal and Repairs Reserve	(1,629)	(500)	1,233	**(896)**	(500)	648	**(748)**
Risk Management Reserve	(315)	0	15	**(300)**	0	15	**(285)**
Information Technology Reserve	(247)	(189)	233	**(203)**	(189)	214	**(178)**
On-Street Car Parking Surplus Reserve	(40)	0	0	**(40)**	0	0	**(40)**
Section 106 Reserve (Revenue)	(465)	0	49	**(416)**	0	49	**(367)**
Section 106 Reserve (Capital)	(386)	0	323	**(63)**	0	0	**(63)**
Government Grant Reserve	(510)	0	122	**(388)**	0	80	**(309)**
Monuments in Perpetuity	(46)	0	1	**(45)**	0	1	**(44)**
Ore Valley Reserve	(250)	0	0	**(250)**	0	0	**(250)**
Resilience and Stability Reserve	(1,000)	0	200	**(800)**	0	100	**(700)**
Transition Reserve	0	0	0	**0**	0	0	**0**
Redundancy Reserve	(665)	0	225	**(440)**	0	225	**(215)**
Community Safety Reserve	0	0	0	**0**	0	0	**0**
Economic Development Reserve	0	0	0	**0**	0	0	**0**
Safer Hastings Partnership	(88)	0	10	**(78)**	0	0	**(78)**
Disabled Facilities Grant	(3,611)	(2,056)	1,400	**(4,267)**	(2,056)	2,056	**(4,267)**
First World War Project	0	0	0	**0**	0	0	**0**
Invest to Save and Efficiency Reserve	(144)	0	12	**(132)**	0	82	**(50)**
Clinical Commissioning Group	0	0	0	**0**	0	0	**0**
Carry-forward Reserve	(1,070)	0	1,070	**0**	0	0	**0**
Controlling Migration	(116)	(109)	109	**(116)**	0	116	**0**
Towns Fund	0	(113)	60	**(53)**	0	53	**0**
Selective Licensing Reserve (inc. redundancy)	(144)	0	144	**0**	0	0	**0**
Revenue Hardship Fund	(80)	0	0	**(80)**	0	0	**(80)**
Syrian Refugee Resettlement Programme	(21)	0	21	**0**	0	0	**0**
Housing Licensing Reserve	(412)	0	8	**(404)**	0	172	**(232)**
Community Housing Fund	(35)	0	0	**(35)**	0	0	**(35)**
Business Rates Section 31 Reserve	(4,959)	0	0	**(4,959)**	0	4,959	**0**
	(23,542)	**(3,179)**	**5,581**	**(21,140)**	**(2,745)**	**10,892**	**(12,993)**

EXPENDITURE FUNDED BY USE OF RESERVES
(expenditure & transfers) / Income & transfers

	Cost Centre / Account	2021-22 Original £	2021-22 Revised £	2022-23 Estimate £
General Reserve	Q1012			
General reserve Saving to/(Use of)		(247,000)	346,959	(2,072,294)
Total		(247,000)	346,959	(2,072,294)
Transfers between Reserves				
Carry Forward Reserve to General Reserve	Q1004	0	0	0
Government Grant Reserve to General Reserve	Q1011	0	(47,000)	0
Carry Forward Reserve to Controlling Migration	NEW	0	0	0
Selective Licensing Reserve to General Reserve	Q1042	0	(144,000)	0
Syrian Refugee Reserve to General Reserve	Q1033	0	(21,000)	0
Carry Forward Reserve to Towns Fund	NEW	0	0	0
		0	(212,000)	0
Carry Forward Reserve	Q1004			
Carried forward		(81,000)	(1,070,000)	0
		(81,000)	(1,070,000)	0
Capital Reserve	Q1017			
2016 - 950th Anniversary (£330k in total over 3 years)		0	0	0
Various Capital Expenditure to be Financed				
CPO - Empty Homes Strategy -capital		(50,000)	0	(50,000)
		(50,000)	0	(50,000)
Disabled Facilities Grant	Q1008			
Disabled Facilities Grant - Salaries		(60,000)	(60,000)	(60,000)
Disabled Facilities Grant - Capital		(1,752,584)	(1,340,000)	(1,996,000)
		(1,812,584)	(1,400,000)	(2,056,000)
Renewal & Repairs Reserve	Q1026			
(per programme of works - Appendix J)		(704,500)	(927,409)	(547,700)
Capital		(46,000)	(206,000)	0
Vehicles		0	0	0
Contingency		(100,000)	(100,000)	(100,000)
		(850,500)	(1,233,409)	(647,700)
Transition Reserve	Q1034			
Transfer to General Fund		0	0	0
Resilience and Stability Reserve	Q1031	(200,000)	(200,000)	(100,000)
Information Technology Reserve	Q1013			
(per programme of works - Appendix I)		(248,000)	(233,000)	(214,000)
		(248,000)	(233,000)	(214,000)
Invest to Save & Efficiency Reserve	Q1015			
Transfer to General Fund		(82,000)	(11,700)	(82,000)
Transfer to Capital Reserve		0	0	0
		(82,000)	(11,700)	(82,000)
Redundancy Reserve	Q1024			
Transfer to General Fund		(225,000)	(225,000)	(225,000)
		(225,000)	(225,000)	(225,000)
Land Charges Reserve				
Capital		0	0	0
Land Charges Reserve to Revenue Hardship Fund		0	0	0
Land Charges Reserve to General Reserve		0	0	0
		0	0	0

Earmarked Reserves	Cost Centre	2021-22 Original £	2021-22 Revised £	2022-23 Estimate £
Government Grant Reserve	Various			
capital		0	0	0
(further details - Appendix F)		(153,000)	(74,603)	(79,700)
		(153,000)	(74,603)	(79,700)
Monuments in Perpetuity	Q1023			
capital				
Revenue	20303	(500)	(1,000)	(1,000)
		(500)	(1,000)	(1,000)
S106 Reserve				
Capital	Q2451	(7,000)	(323,000)	0
Revenue	Q1029	(49,000)	(49,000)	(49,000)
		(56,000)	(372,000)	(49,000)
On-Street Car Parking Surplus Reserve	Q1003			
Havelock Road Crossing	20292	0	0	0
		0	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	(10,000)	0
		0	(10,000)	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	0	0	0
		0	0	0
First World War Reserve	Q1010	0	0	0
		0	0	0
Housing Licensing Reserve	Q1036			
Housing Licensing Reserve		0	(7,910)	(172,310)
		0	(7,910)	(172,310)
Syrian Refugee Resettlement Programme	Q1033	0	0	0
		0	0	0
Community Housing Fund	Q1037			
Housing Administration		0	0	0
		0	0	0
Controlling Migration	Q1044	(33,300)	(108,750)	0
		(33,300)	(108,750)	0
Revenue Hardship Fund	Q1027	0	0	0
		0	0	0
Towns Fund	NEW	(113,000)	(59,910)	(53,090)
		(113,000)	(59,910)	(53,090)
Business Rates Section 31 Reserve	Q2498	0	0	(4,959,000)
		0	0	(4,959,000)
Total use of earmarked and capital reserves *	A	(3,919,884)	(5,022,282)	(8,703,800)
Revenue use of earmarked reserves		(1,864,300)	(3,153,282)	(6,557,800)
Transfers between Reserves		0	(212,000)	0
Capital use of earmarked reserves		(1,855,584)	(1,869,000)	(2,046,000)
Transition Reserve and Com / Econ Reserve		(200,000)	0	(100,000)
Total Expenditure & Transfers (Excl. General Reserve Use)	B	(3,919,884)	(5,234,282)	(8,703,800)

INFORMATION TECHNOLOGY RESERVE — **Appendix I**

	2021-22 Original £'000	2021-22 Revised £'000	2022-23 ESTIMATE £'000	2023-24 ESTIMATE £'000	2024-25 ESTIMATE £'000
OPENING BALANCE :					
BALANCE B/FWD. AT 1 APRIL	**(247)**	**(247)**	**(203)**	**(178)**	**(153)**
EXPENDITURE :					
GOVCONNECT	9	7	9	9	9
MICROSOFT LICENSING FOR TEST ENVIRONMENT	15	16	0	0	0
RESILIENCE IMPROVEMENTS	0	0	0	0	0
ANTI VIRUS	0	9	0	0	0
KACE SYSTEMS MANAGEMENT SERVER	4	0	0	0	0
SERVICE REVIEW EFFICIENCY PROJECTS	90	0	90	90	90
PC HARDWARE AND SOFTWARE	115	124	115	115	115
MICROSOFT 365	0	0	0	0	0
SERVER OPERATING SYSTEMS UPGRADES	10	10	0	0	0
UPS UPGRADES	0	0	0	0	0
COMMVAULT UPGRADE	5	10	0	0	0
CONTRACT COMPLIANCE SYSTEM UPGRADE	0	5	0	0	0
VIRTUALISATION WARRANTY REDRESH	0	12	0	0	0
SAN WARRANTY REFRESH	0	2	0	0	0
SAN ADDITIONAL STORAGE	0	25	0	0	0
SOFTWARE ASSET MANAGEMENT	0	13	0	0	0
	248	**233**	**214**	**214**	**214**
INCOME :					
CONTRIBUTIONS TO RESERVE - FROM GENERAL FUND	**(189)**	**(189)**	**(189)**	**(189)**	**(189)**
CLOSING BALANCE :					
BALANCE IN-HAND C/FWD. AT 31 MARCH	**(188)**	**(203)**	**(178)**	**(153)**	**(128)**

RENEWAL AND REPAIRS RESERVE

APPENDIX J

2020-21 Actual £		2021-22 ORIGINAL BUDGET £	2021-22 REVISED BUDGET £	2022-23 ESTIMATED BUDGET £
	OPENING BALANCE:			
1,555,956	BALANCE BROUGHT FORWARD	**1,366,656**	**1,628,909**	**895,500**
	INCOME:			
508,000	CONTRIBUTIONS TO RESERVE - GENERAL	**508,000**	**500,000**	**500,000**
508,000		**508,000**	**500,000**	**500,000**
	EXPENDITURE:			
435,047	PROGRAMMED REPAIRS AND REDECORATIONS	**199,000**	**190,100**	**222,500**
	OTHER REPAIRS & RENEWALS	**505,500**	**943,309**	**325,200**
435,047	SUB TOTAL	**704,500**	**1,133,409**	**547,700**
0	CAPITAL EXPENDITURE FUNDED FROM RESERVES	**46,000**	**0**	**0**
0	VEHICLES	**0**	**0**	**0**
0	PROVISION FOR UNEXPECTED ITEMS	**100,000**	**100,000**	**100,000**
435,047		**850,500**	**1,233,409**	**647,700**
	CLOSING BALANCE:			
1,628,909	BALANCE CARRIED FORWARD	**1,024,156**	**895,500**	**747,800**

PROGRAMMED REPAIRS AND REDECORATIONS FINANCED BY THE RENEWAL AND REPAIRS RESERVE

Appendix J (con't)

Cost Centre	Reference	PROPERTY	DESCRIPTION OF WORK	2021-2022 ORIGINAL BUDGET £	2021-2022 REVISED BUDGET £	2022-2023 ESTIMATE £	2023-2024 ESTIMATE £	2024-2025 ESTIMATE £
20116	PR001	TOWN HALL	Isolated internal / external redecs & repairs. MEWP high level stonework H&S inspection	20,000	20,000	30,000	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	10,500	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	20,000	10,000	25,000	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	8,000	8,000	0	0	0
20131	PR009	MICRO UNIT FACTORIES	External redecs	5,000	5,000	0	0	0
20131	PR037	FACTORY UNITS	External redecs/roof repairs to empty units	30,000	30,000	0	0	0
20132	PR041	OTHER BUILDINGS (ESTATES MISC.)	Essential upgrades/repairs.	10,000	10,000	0	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	25,000	25,000	0
20303	PR014	CREMATORIUM - CREMATOR FT2	Rehearthing & rebricking of cremator FT2	7,000	7,000	7,000	7,000	7,000
20303	PR014	CREMATORIUM - CREMATOR FT3	Rebricking / rehearthing of cremator FT3	8,000	0	46,000	8,000	8,000
20303	PR52a	CEMETERY	Path health & safety repairs	8,000	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	2,000	2,000	2,000
20259	PR033	SUMMERFIELDS SPORTS CENTRE	External redecs	5,000	6,200	0	0	0
20310	PR026	SPORTS PAVILIONS	Int/ext redecs.	4,000	4,000	8,000	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.	2,500	2,900	0	0	0
20306	PR030	HASTINGS STATION - FISHING BOAT FEATURE	Survey repairs / redecs	0	2,000	0	0	0
20306	PR031	TOWN CENTRE UNDERPASS	Decoration	0	1,000	0	0	0
		Total of Programmed work		**199,000**	**190,100**	**222,500**	**184,500**	**159,500**

OTHER REPAIRS AND REDECORATIONS FINANCED BY THE RENEWAL AND REPAIRS RESERVE

Appendix J (con't)

Cost Centre	Reference	PROPERTY	DESCRIPTION OF WORK	2021-2022 ORIGINAL BUDGET £	2021-2022 REVISED BUDGET £	2022-2023 ESTIMATE £	2023-2024 ESTIMATE £	2024-2025 ESTIMATE £
20245	OR247	EAST HILL LIFT LOWER STATION	Roof replacement	0	0	30,000	0	0
20249	OR250	WHITE ROCK THEATRE	General repair contributions	20,000	13,500	20,000	0	0
20249	OR251	WHITE ROCK THEATRE	Contribution to large plant / boiler replacement	0	1,000	0	0	0
20306	OR314	FISHING BOAT AT STATION APPROACH	Repairs inc. stone dressing	2,000	2,000	0	0	0
20310	OR231	CLIFF REPAIR SURVEY	Biennial or Sextennial survey	0	8,000	15,000	0	0
20313	OR211	HASTINGS COUNTRY PARK - TACKLEWA	Health & safety repairs and repointing	0	0	1,000	0	0
20259	OR326	INDOOR BOWLS CENTRE	Equality Act works	10,000	30,000	0	0	0
20259	OR332	SUMMERFIELDS LEISURE CENTRE	Installation of UV water hygiene treatment, if req'd and justified by FL due to alterations to regulations.	0	0	5,000	0	0
20251	OR334	JOHNS PLACE MUSEUM	Essential stoneworks repairs to interior of window openings	0	7,814	9,000		0
20310	OR339	CLIFFS	Cliff Repairs arising from engineer's inspections	50,000	101,000	100,000	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	0	18,000	0	0	0
20117	OR342	MURIEL MATTERS HOUSE - PASSENGER LIFTS	Heavy duty door closing mechanisms	0	0	5,000	0	0
20245	OR347	WEST HILL LIFT - ATTENDANT'S & STORE AREAS	Works to patio waterproofing to prevent water ingress	18,000	0	18,000	0	0
20250	OR348	PROMENADE SURFACING	Further tarmac repairs to worst areas	30,000	30,000	50,000	0	0
20310	OR364	BEXHILL REC WEST	Internal redecoration	10,000	10,000	0	0	0
20245	OR374	WEST HILL LIFT - ENTRANCE ROOF	Replace railings with galv. steel railings	5,000	5,000	0	0	0
20310	OR385	ALEXANDRA PARK	Information Shelter lower decoration	2,000	2,000	0	0	0
20310	OR392	ALEXANDRA PARK	Lower Stream Culvert Wall	0	3,500	0	0	0
20310	OR395	WHITE ROCK GARDENS	Demolition of old toilet block	9,000	9,000	0	0	0
20245	OR405	EAST HILL CLIFF RAILWAY - UPPER STATION	Pedestrian paths resurfacing - deterioration of existing patched up surface creating trip hazards	10,000	10,000	0	0	0
20303	OR410	CEMETERY CHAPEL	Front window and stone reveal repairs	20,000	20,000	0	0	0
20313	OR411	HASTINGS COUNTRY PARK	Surface dressing to Coastguard Lane tarmac/asphalt path surfacing	25,000	25,000	0	0	0
20246	OR412	HASTINGS CASTLE	Curtain wall consolidation following emergency stabilisation works	0	25,000	0	0	0
20251	OR413	HASTINGS MUSEUM & ART GALLERY	Works to improve security following report	0	10,000	0	0	0
20259	OR416	SUMMERFIELDS LEISURE CENTRE	Re-tiling of edge of pool	0	100,000	0	0	0
20310	OR417	BEXHILL REC BRIDGE 6	Repair & redec to steel support (H&S)	0	0	0	0	0
20313	OR418	HCP LOWER ECCLESBOURNE GLEN	2 no. new boardwalk bridges (H&S)	0	0	0	0	0
20310	OR419	ST JOHNS PLAYGROUND	Stabilise playground retention wall	0	2,500	0	0	0
20310	OR420	TORFIELD MUGA	Survey of subsidence to MUGA corner	2,500	4,500	0	0	0
20310	OR421	SUMMERFIELDS WOODS	New bridge over heritage site Roman Bath (H&S)	0	0	0	0	0
20310	OR422	WEST MARINA GARDENS	Timber repairs & redecorate	2,000	2,000	0	0	0
20310	OR423	ALEXANDRA PARK SHORNDEN	Reservoir access point for Idverde	1,500	1,500	0	0	0
20313	OR424	HASTINGS COUNTRY PARK OLD VISITOR CENTRE	External & redecoration	2,500	2,500	0	0	0

OTHER REPAIRS AND REDECORATIONS FINANCED BY THE RENEWAL AND REPAIRS RESERVE

Cost Centre	Reference	PROPERTY	DESCRIPTION OF WORK	2021-2022 ORIGINAL BUDGET £	2021-2022 REVISED BUDGET £	2022-2023 ESTIMATE £	2023-2024 ESTIMATE £	2024-2025 ESTIMATE £
20313	OR425	HASTINGS COUNTRY PARK HIGH WICKHAM	Replace knee rail with posts	2,500	2,500	0	0	0
20310	OR426	GENSING GARDENS	Sandstone wall repairs	3,000	3,000	0	0	0
20310	OR427	WHITE ROCK GARDENS EAST	Make good to pillar remains	0	2,000	0	0	0
20310	OR428	WHITE ROCK GARDENS WEST	Repair or replace tennis court fence	3,500	3,500	0	0	0
20310	OR429	ALEXANDRA PARK	Resin bonded paths phased resurfacing	5,000	5,000	0	0	0
20313	OR430	HASTINGS COUNTRY PARK YARD	Clear historic waste	6,000	6,000	0	0	0
20287	OR431	CARLISLE PARADE UNDERGROUND CAR PARK	Replacement of lighting	0	10,000	0	0	0
20251	OR432	HASTINGS MUSEUM & ART GALLERY	Lightning protection upgrade	5,000	5,000	0	0	0
20250	OR433	BOTTLE ALLEY	Cleaning of glass mosaic	0	10,710	0	0	0
20117	OR434	MURIEL MATTERS HOUSE	Heating pipe insulation	15,000	15,000	0	0	0
20313	OR435	HASTINGS COUNTRY PARK PATHS - EAST COASTGUARD LANE	Reapply 'Fibredec' last laid in 2015	25,000	25,000	0	0	0
20117	OR436	MURIEL MATTERS HOUSE	Repairs to rear car park waterproofing	0	0	17,200	0	0
20250	OR437	WEST OF HAVEN	Resurface MP path to worn areas of mesh	0	6,000	0	0	0
20250	OR438	CINQUE PORTS WAY	Resurface highway tarmac (non ESCC)	0	17,785	0	0	0
20250	OR439	MILLSTONE FOUNTAIN	Replace inlet grille & improve internals	2,000	2,000	0	0	0
20250	OR440	BOTTLE ALLEY UPPER	Railing replacement - heritage railings poor	25,000	25,000	0	0	0
20245	OR441	EAST HILL LIFT PUBLIC CONVENIENCE	Interior refit due to dampness	0	0	10,000	0	0
20310	OR442	GENSING GARDENS WALL	Rebuild wall in Conservation Area.	60,000	60,000	0	0	0
20310	OR443	BEXHILL EAST SPORTS PAVILION	Full roof replacement	34,000	34,000	0	0	0
20310	OR444	WARRIOR SQUARE GARDENS (EAST)	Major repair works	8,000	8,000	0	0	0
20310	OR445	WHITE ROCK GARDENS	Major repair works to west boundary wall	12,000	12,000	0	0	0
20310	OR446	WHITE ROCK SUN SHELTER	Repair and redecorate shelter railings	2,000	2,000	0	0	0
20287	OR447	GRAND PARADE UGCP	Concrete repairs to prom support beams	20,000	27,000	0	0	0
20148	OR448	BUS SHELTERS	Repair & Replacement Programme	12,000	12,000	15,000	0	0
20251	OR449	HASTINGS MUSEUM & ART GALLERY HEATING BOILERS	Replace existing heating boiler	0	0	30,000	0	0
20132	OR450	12/13 York Buildings Flat Conversion	Contribution to capital project	46,000	46,000	0	0	0
20132	OR451	12/13 York Buildings Flat Conversion	Contribution to capital project II	0	160,000	0	0	0
		Total of Other Work		**505,500**	**943,309**	**325,200**	**100,000**	**0**

Appendix K

PIER Outcomes	Cost Centre	Revised 2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000
PIER Savings identified in previous years for 2022/23 (not included elsewhere)					
Senior Management Restructure (remainder - £260k p.a.in total when completed)	Various	42	54	54	54
Theatre - Reduced Contribution	20249	0	100	200	200
Land sales - Interest generated by proceeds from land sales/Use of capital receipts	Various	0	75	75	75
Rental Space - Muriel Matters House			13	13	13
Total Prior year identified savings for 2021-22 onwards	**Sub-total**	**42**	**229**	**329**	**329**
PIER Savings identified for 2021/22 onwards following review of 2020/21 final accounts and 2021/22 budgets					
Off Street Car Parking - Business Rates Appeal - Priory St	20287	111	26	26	26
Off Street Car Parking - Premises Insurance	20287	11	11	11	11
Off Street Car Parking - cash collection contract	20287	5	5	5	5
Hastings Country Park - Parking Charges - volume increase	20312	7	7	7	7
Cemetery & Crematorium - premises Insurance	20303	3	3	3	3
Refuse Collection - fees and charges - volume	20293	11	10	10	10
Audit - Supplies and services	20108	13	13	13	13
DSO - Waste and Cleansing service - Equipment and materials	20323	20	20	20	20
Greenwaste - additional income - volume increase	20296	35	35	35	35
Parks & Gardens - Routine Mtc - s106 profiling	20310	20	20	20	20
Parks & Gardens - Premises Insurance	20310	5	5	5	5
Parks & Gardens - IT link to Alexandra park removed	20310	2	2	2	2
Building Surveyors - Revised Budget	20105	5	5	5	5
Adminstrative Buildings - Muriel Matters House - Business Rate Appeal	20117	8	8	8	8
Non-distributed Costs - unfunded pension costs - decrease	20125	102	102	102	102
Hastings Contact Centre - Team leader post	20113	53	39	39	39
Housing Management & admin - reduced insurance, postage & systems costs	20172	0	8	8	8
Renewable Energy Solutions - hired and contracted services	20321	49	50	50	50
Savings	**Sub-total**	**462**	**369**	**369**	**369**
Savings - including Selected Expendiure Freeze in 2021/22 (Nov 2021 - March 2022)					
Hastings Contact Centre - Reduced hours by a staff member	20113	10	10	10	10
External Funding (Contain Outbreak Management Fund) - salaries funded	various	45	0	0	0
Admin Bldgs - Town Hall - including £500 pwk/ Rental of Rooms	20116	24	24	24	24
Transformation team - End of two fixed term posts	20115	17	62	62	62
Corporate Personnel Expenses - revised training budget	20112	30	20	20	20
Legal - Freeze on Recruitment (beyond debt recovery staffing)	20106	50	0	0	0
Revenues And Benefits - (Including, Doc Mail £15k, legal Services £6k)	20110	21	15	15	15
Waste and Environmental Enforcement Team - Wardens - recruitment of 2 posts postponed one to be filled	20297	54	25	25	25
Housing - new external funding of rental deposits	20187	100	50	50	50
White Rock Area Development - supplies and services	20209	30	30	30	30
1066 Country Campaign - 2021/22 contribution (given carry forward last year)	20222	50	0	0	0
Additional 2021/22 savings and selected Expenditure Freeze	**Sub-total**	**431**	**236**	**236**	**236**
New PIER Savings for 2022/23 Budget					
Civic and ceremonial - Transport	20240	1	1	1	1
Filming - additional Income (HBC Share)	20241	21	6	6	6
White Rock Area Development - Staffing - covered by external grants (staff transferred)	20209	35	35	35	35
Cultural Activities - Stade Saturdays - funded by external grant in 2021/22 - then ends	20212	5	5	5	5
External funding initiatives (salaries met by Towns Fund)	20177	25	25	25	25
Regeneration Activity - Locate East Sussex - end in 2023/24 unless funding secured	20208		10	30	30
Marketing & Communications Post - transfer to regeneration - (Town Fund)	tbd	6	32	32	32
Admin buildings - MMH - Shred it - Less often/ Water bottles/ Audio Visual / Cleaning	20117	4	4	4	4
Rent out further floor - Muriel Matters House	20117			30	30
Street cleaning DSO - No annual hire of Mechanical Sweeper	20323		10	10	10
DSO St. Cleaning Service - stop No NI 195 checks(detritus inspection) from July 2023	20323			12	12
Regeneration Manager Secondment -Post partially backfilled	20102	7	24	0	0
Revenues And Benefits - reorganisation 2022/23 - Incl Agency Staff reduction	20110		175	175	175
Youth Activities (Young Persons Council) £5k to £3k	20221		2	2	2
Asset Sales: Revenue implications					
Whitworth Road / Queensway (land off new roundabout - both sides)			0	23	23
Burton St Leonards Property (£400k)				18	18
Harrow Lane - Use of Capital receipt in place of new borrowing vs investment (£5.5m)			75	75	75
Remove groyne refurbishment works (HBC funded) in 2022/23 and all carry forwards (£105k)			6	6	6
Civic Silver/regalia - limited sale - receipt			30		
Hometrack - Housing Prices information - Supplies and services	20185		4	4	4
IT- technology Reserve - temporarily reduce annual contributions- hardware /software		25	25	25	25
R&R contributions - end of vehicle contributions (now leasing)		8	8	8	8
Public Convenience Cleaning contract			36	36	36
Grounds Mtc - end flower towers in Wellington Square	20310		8	8	8
Grounds Mtc - £30k contract payment (Optivo)				30	30
	Sub-total	**137**	**521**	**600**	**600**
Total Savings		**1,072**	**1,356**	**1,534**	**1,534**
Budget Adjustments Identified					
Waste and Environmental Enforcement Team - Lower Fixed Penalty income	20297	(25)	(10)	(10)	(10)
Building Cleaning Contract	Various		(63)	(51)	(39)
Homelessness	20182	(336)	(783)	(744)	(707)
Legal Division - Lower level of costs being recovered	20106	(10)	(10)	(10)	(10)
Regeneration Activity - one off income removed	20208	(25)	(25)	(25)	(25)
Staffing - Planning and Enforcement	20180	0	(59)	(59)	(59)
Planning Policy - Development Plan	20341	21	(117)	(47)	0
External Audit Costs - 21/22 onwards (£25k less £5k additionl govt funding)	20108	(20)	(20)	(20)	(20)
	Sub-total	**(395)**	**(1,087)**	**(966)**	**(870)**
Overall Savings (Growth)		**677**	**269**	**568**	**665**

Appendix K2

Hastings Borough Council Efficiencies, Income, and Savings Proposals for 2022/23 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 – the activity it is required by law to undertake. The level of funding available to the council has been greatly reduced since 2010, and more recently by the pandemic which has impacted our income levels and increased 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, the council has sought 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).

Proposal	**Savings/ Income £**			**HBC Staff impact**	**Likelihood of negative impact on Equality Act protected characteristics Low – Medium – High**
	22/23 £	**23/24 £**	**24/25 £**		
PIER Savings identified previously for 2022/23 & beyond (not included elsewhere) (PIER = Priorities, income, efficiency reviews)					
1. **Remainder of 2019/20 Senior Management Restructure** (£260k p.a.in total) – achieved by resignations /retirements	54,000	54,000	54,000	0.6 FTE	**Low**
2. **White Rock Theatre** - Reduced subsidy contribution from 2022/23 and further reduction from 23/24 onwards when current contract ends	100,000	200,000	200,000	N/A	**Low**
3. **Land sales** - Interest generated by proceeds from land sales/Use of capital receipts	75,000	75,000	75,000	N/A	**N/A**
4. **Rental Space - Muriel Matters House** – Rental income from new tenant that was secured after the last budget was set.	13,000	13,000	13,000	N/A	**N/A**

Proposal	Savings/ Income £			HBC Staff impact	Likelihood of negative impact on Equality Act protected characteristics Low – Medium – High
	22/23 £	23/24 £	24/25 £		
Savings identified during the PIER process for the 2022/23 budget					
a) BUDGET MANAGEMENT SAVINGS - identified during review of final accounts and 2021/22 budgets					
5. Off-Street Car Parking - Business Rates Appeal - Priory Street	26,000	26,000	26,000	N/A	**N/A**
6. Off-Street Car Parking - Premises Insurance	11,000	11,000	11,000	N/A	**N/A**
7. Off-Street Car Parking - Cash collection contract	5,000	5,000	5,000	N/A	**Low**
8. Hastings Country Park - Parking Charges - volume increase	7,000	7,000	7,000	N/A	**Low**
9. Cemetery & Crematorium - Premises Insurance	3,000	3,000	3,000	N/A	**N/A**
10. Refuse Collection - Fees and charges – volume increase	10,000	10,000	10,000	N/A	**Low**
11. Audit - Supplies and services	13,000	13,000	13,000	N/A	**N/A**
12. DSO - Waste and Cleansing service - Equipment and materials efficiency savings	20,000	20,000	20,000	N/A	**N/A**
13. Greenwaste - Additional income - volume increase	35,000	35,000	35,000	N/A	**N/A**
14. Parks & Gardens - Routine maintenance using section106 budgets as profiled	20,000	20,000	20,000	N/A	**N/A**
15. Parks & Gardens - Premises Insurance cost renegotiation/ reduction	5,000	5,000	5,000	N/A	**N/A**
16. Parks & Gardens - IT link to Alexandra park no longer required	2,000	2,000	2,000	N/A	**N/A**

Proposal	Savings/ Income £			HBC Staff impact	Likelihood of negative impact on Equality Act protected characteristics Low – Medium – High
	22/23 £	23/24 £	24/25 £		
17. Building Surveyors – Budget revision	5,000	5,000	5,000	N/A	**N/A**
18. Administrative Buildings - Muriel Matters House - Business Rate Appeal	8,000	8,000	8,000	N/A	**N/A**
19. Non-distributed Costs - Unfunded pension costs – decrease in call on budget for staff who left HBC previously	102,000	102,000	102,000	N/A	**N/A**
20. Hastings Contact Centre – Vacant Team Leader post	39,000	39,000	39,000	1 FTE	**Low** – the CCC service levels have been kept at an appropriate level without this post. The capacity in CCC team will continue to support those who are unable to use our on-line service access routes
21. Housing Management and administration – Efficiency saving from reduced postage costs	8,000	8,000	8,000	N/A	**Low**
22. Renewable Energy Solutions – Reduction in use of external contractors – work is now being done in-house	50,000	50,000	50,000	N/A	**N/A**
IN-YEAR SAVINGS TO BE CONTINUED: The following were identified as in-year savings made in November – these have been reviewed to identify what can be continued into future years					
23. Hastings Contact Centre – Staff requested reduced hours	10,000	10,000	10,000	0.2 FTE	**Low** – see line 20 above
24. External Funding – use of Covid Outbreak Management Fund (COMF) – to fund work undertaken by staff diverted to support C-19 management and vaccination programme.	TBC if allocation for 22/23?	0	0	N/A	**N/A** – this funding will cover the work HBC officer are undertaking to support the NHS and VCS colleagues to ensure the most vulnerable in our town are able to receive their vaccinations as easily as possible.

Proposal	Savings/ Income £			HBC Staff impact	Likelihood of negative impact on Equality Act protected characteristics Low – Medium – High
	22/23 £	23/24 £	24/25 £		
25. Admin Buildings – Rental of Town Hall as a vaccination centre – anticipated to continue in 2022/23	24,000	24,000	24,000		**Low**
26. Transformation team – 2 fixed term posts end 31st March 2022	62,000	62,000	62,000	1 FTE 1 FTE (vacant)	**Low**
27. Corporate Personnel Expenses - Revised training budget due to use of apprenticeship levy and potential for cheaper virtual training.	20,000	20,000	20,000	N/A	**Low**
28. Revenues and Benefits non-staff efficiency savings (Doc Mail £15k, Supplies and Services £10k)	25,000	25,000	25,000	N/A	**Low**
29. Waste and Environmental Enforcement Team/ Wardens – Delete one of two vacant posts	25,000	25,000	25,000	1 FTE	**Low**
30. Housing - New external funding used for providing rental deposits	50,000	50,000	50,000	N/A	**Low**
31. White Rock Area Development – Reduce budgets allocated for consultancy/feasibility work	30,000	30,000	30,000	N/A	**Low**
NEW PIER SAVINGS: **The following are new savings identified during the PIER process to come into effect from 2022/23**					
32. Civic and ceremonial – Savings on transport costs	1,000	1,000	1,000	N/A	**Low**
33. Filming - Additional income (HBC Share)	6,000	6,000	6,000	N/A	**N/A**
34. White Rock Area Development - Post moved to Town Deal team	35,000	35,000	35,000	N/A	**N/A**

Proposal	Savings/ Income £			HBC Staff impact	Likelihood of negative impact on Equality Act protected characteristics Low – Medium – High
	22/23 £	23/24 £	24/25 £		
35. Cultural Activities - Stade Saturdays - funded by external grant during 2021/22 - then ceases	5,000	5,000	5,000	N/A	**Low**
36. External funding initiatives (salaries met by Towns Fund budget)	25,000	25,000	25,000	N/A	**N/A**
37. Regeneration Activity: Reduce activity budget by £10k for 2022/23 and cease contribution to Locate East Sussex – from 2023/24	10,000	30,000	30,000	N/A	**Low -** Due to priority given to delivery of Town Deal and bidding for Levelling up, the focus of the HBC team is on attracting developers and inward investors. Given fiscal status of authority it is felt that reduction of locate budget will have a medium impact during this period of capital development and partnership working to deliver town wide regeneration.
38. Communications Post – re-assigned to support Town Deal team	32,000	32,000	32,000	1 FTE	**Low**
39. Admin buildings efficiencies from reduced occupation of Muriel Matters House (MMH)	4,000	4,000	4,000	N/A	**N/A**
40. Rent out further floor in MMH	0	30,000	30,000	N/A	**N/A**
41. Street cleaning DSO – New ways of working - no longer hire of mechanical sweeper	10,000	10,000	10,000	N/A	**N/A**
42. Waste Service - Cease NI 195 monitoring by external company from July 2023 – use evidence from My Hastings and internal monitoring	0	12,000	12,000	N/A	**N/A**

Proposal	Savings/ Income £			HBC Staff impact	Likelihood of negative impact on Equality Act protected characteristics Low – Medium – High
	22/23 £	23/24 £	24/25 £		
43. Regeneration manager secondment – Jan 22 – Jan 23 post partially back-filled by Continuous Improvement Manager – net part-year savings	24,000	0	0	N/A	**Low**
44. Revenues and Benefits – re-organisation following retirement of service manager	175,000 est.	175,000 est.	175,000 est.	2 FTE and 2 FTE agency staff	**Low** – the level of staff in the new structure will be set to meet the performance standards to deliver the service effectively.
45. Youth Activities - reduce the allocation to Education Future’s Trust for administering the Young Person’s Council	2,000	2,000	2,000	N/A	**Medium** – will see a reduction in staff support and small grants budget.
ASSET SALES – revenue implications, i.e. the council can use receipts from sales of assets to avoid or reduce borrowing on capital schemes and this reduces the impact on the revenue budget.					
46. Whitworth Road/Queensway (land off new roundabout - both sides)	0	23,000	23,000	N/A	**N/A**
47. Burton St Leonards Property	0	18,000	18,000	N/A	**N/A**
48. Harrow Lane - Use of Capital receipt in place of new borrowing vs investment (£5.5m)	75,000	75,000	75,000	N/A	**N/A**
49. Civic silver/regalia sale	30,000	0	0	N/A	**Low**
Other savings					
50. Groyne refurbishment works budget not needed from 2022/23 following significant recent works undertaken with DEFRA grant	6,000	6,000	6,000	N/A	**Low**
51. Hometrack software system saving – No longer required	4,000	4,000	4,000	N/A	**N/A**
52. IT technology reserve - Temporarily reduce annual contributions - hardware /software	25,000	25,000	25,000	N/A	**N/A**

Proposal	Savings/ Income £			HBC Staff impact	Likelihood of negative impact on Equality Act protected characteristics Low – Medium – High
	22/23 £	**23/24 £**	**24/25 £**		
53. Repairs and Renewal contributions - end of vehicle contributions (now leasing)	8,000	8,000	8,000	N/A	**N/A**
54. Savings from re-tendering of public conveniences cleaning contract	36,000	36,000	36,000	N/A	**N/A**
55. Delete budget for annual flower towers in Warrior Square Gardens as part of sustainability approach.	8,000	8,000	8,000	N/A	**N/A**
56. Grounds Maintenance client partnership arrangements – saving following departure of Optivo from the original joint contract	0	30,000	30,000	N/A	**N/A**
(Growth Items) and Budget adjustments					
57. Waste and Environmental Enforcement Team – Lower Fixed Penalty income than anticipated	(10,000)	(10,000)	(10,000)	N/A	**Low**
58. Additional costs of adding Building Cleaning service to in-house DSO (NB subject to Council decision on 9/2/22)	(63,000)	(51,000)	(39,000)	N/A	**Low**
59. Increased costs of temporary accommodation for homeless people and families. A new Task Force is being established to identify ways of reducing costs.	(c.783,000)	(c.744,000)	(c.707,000)	N/A	The impact on individuals and families of living in Temporary Accommodation for longer than necessary is well documented, the council seeks to re-house people as soon as possible.
60. Legal Division - Lower level of cost recovery than budgeted - efforts of team are being diverted to debt collection.	(10,000)	(10,000)	(10,000)	N/A	**Low**
61. Regeneration Activity - One off income removed	(25,000)	(25,000)	(25,000)	N/A	**Low**

Proposal	Savings/ Income £			HBC Staff impact	Likelihood of negative impact on Equality Act protected characteristics Low – Medium – High
	22/23 £	23/24 £	24/25 £		
62. Planning and enforcement staffing – New posts to meet service demands and address backlogs	(59,000)	(59,000)	(59,000)	+ 2 FTE	**N/A**
63. Planning Policy – Re-profiled costs of Local Plan development	(117,000)	(47,000)	0	N/A	**N/A**
64. Increased External Audit costs (£25k p.a. less £5k government funding)	(20,000)	(20,000)	(20,000)	N/A	**Low**

Land and Property Disposal Programme

	Estimated Receipts £
2021/22	
Sale of Ex Council Houses	
Other	
	50,000
2022/23	
Harrow Lane	
Lodge - Burton St Leonards	
Whitworth Road (North & South)	
Sale of Ex Council Houses	
Other	
	6,019,200
2023/24	
Mayfield E	
Bexhill Road South	
Sandrock	
Sale of Ex Council Houses	
Other	
	250,000
2024/25	
Sale of Ex Council Houses	
Other	
	50,000
2025/26	
Sale of Ex Council Houses	

CORPORATE SERVICES AND GOVERNANCE Appendix O

Reference NO.	2020-21 ACTUAL	SERVICE	2021-22 ORIGINAL BUDGET	2021-22 REVISED BUDGET	2022-23 ESTIMATED OUTTURN	2021-22 BUDGET VARIANCE	2022-23 BUDGET VARIANCE
	£	**SUMMARY OF REVENUE ESTIMATES**	£	£	£	£	£
CR1	211,434	20101 - Managing Director	214,230	217,310	**220,570**	3,080	6,340
CR2	326,263	20102 - Corp. Policy, Partnerships and Performance	236,860	278,860	**250,200**	42,000	13,340
CR3	211,254	20103 - Electoral Services	223,970	229,800	**234,650**	5,830	10,680
CR4	381,112	20104 - Estates Services	397,930	400,630	**404,440**	2,700	6,510
CR5	213,185	20105 - Building Surveyors	224,020	219,260	**221,500**	(4,760)	(2,520)
CR6	493,229	20106 - Legal Services	515,860	509,110	**544,770**	(6,750)	28,910
CR7	238,372	20107 / 20108 - Audit and Investigations Services	242,180	236,840	**236,250**	(5,340)	(5,930)
CR8	971,230	20109 - Accountancy Services	1,007,110	1,040,540	**1,051,910**	33,430	44,800
CR9	2,337,442	20110 - Revenues Services	2,353,150	2,332,190	**2,203,390**	(20,960)	(149,760)
CR10	586,965	20111 - People, Customer and Business Support	607,820	574,820	**629,980**	(33,000)	22,160
CR11	183,330	20112 - Corporate Personnel Expenses	185,050	175,180	**165,060**	(9,870)	(19,990)
CR12	821,994	20113 - Contact Centre	791,720	719,550	**756,290**	(72,170)	(35,430)
CR13	286,402	20115 - Transformation Team	255,870	252,920	**195,490**	(2,950)	(60,380)
CR14	56,351	20116 - Admin Buildings - Town Hall	40,460	34,730	**25,630**	(5,730)	(14,830)
CR15	500,614	20117 - Admin Buildings - Muriel Matters House	413,210	423,490	**429,240**	10,280	16,030
CR16	47,384	20118 - Admin Buildings - General Expenses	66,700	61,200	**71,700**	(5,500)	5,000
CR18	1,311,229	20120 - Corporate Expenses	1,243,200	1,284,600	**1,278,270**	41,400	35,070
CR19	728,548	20121 - IT	713,180	689,510	**703,640**	(23,670)	(9,540)
CR20	339,534	20122 - IT Reserve / Hardware	339,840	324,840	**305,840**	(15,000)	(34,000)
CR21	46,525	20123 - Land & Property Systems-GIS	48,960	48,940	**48,940**	(20)	(20)
	(10,292,399)	Less recharges to other services	(10,121,320)	(10,121,320)	**(10,121,320)**	0	0
	(7)	Unallocated Balance	0	(67,000)	**(143,560)**	**(67,000)**	**(143,560)**
CR22	(112,374)	20124 - Corporate Management Expenses	784,110	804,110	**804,110**	20,000	20,000
CR23	714,038	20125 - Non Distributed Costs	789,980	687,580	**655,580**	(102,400)	(134,400)
CR24	1,501,568	20126 / 20127 / 20128 - Benefit Payments and Administration	1,453,100	1,453,100	**1,453,100**	0	0
CR25	2,041,999	20129 - Council Tax and Business Rates Collection	603,590	603,590	**603,590**	0	0
CR26	(364,452)	20130 - Employment Areas	(362,840)	(382,000)	**(376,600)**	(19,160)	(13,760)
CR27	(1,359,420)	20131 - Factory Units	(1,116,110)	(1,557,860)	**(1,430,770)**	(441,750)	(314,660)
CR28	(2,967,330)	20132 - Farms and Other Properties	(3,183,720)	(2,926,300)	**(3,135,960)**	257,420	47,760
CR29	0	20133 - St Mary in the Castle	0	0	**0**	0	0
CR30	(455,816)	20135 - Other Expenditure	176,808	404,320	**419,220**	227,512	242,412
CR31	185,489	20136 / 20137 - Registration of Electors	225,910	226,730	**226,540**	820	630
CR32	865,452	20138 - Cost of Democracy	831,330	866,800	**865,120**	35,470	33,790
CR33	93,822	20139 / 20140 - Election Expenses	200,990	201,000	**200,990**	10	0
CR34	0	20144 - Local Strategic Partnership	18,550	18,550	**18,550**	0	0
CR35	0	20145 - Sustainable Energy & Development	14,680	14,680	**14,680**	0	0
CR36	0	20146 - Public Consultation	6,180	6,180	**6,180**	0	0
CR37	24,611	20148 - Shelters and Seats	30,450	30,450	**42,840**	0	12,390
CR38	8,189	20149 - Street Naming and Numbering	9,750	9,750	**11,840**	0	2,090
CR39	98,274	20150 - Decorative Lighting	88,360	118,520	**88,710**	30,160	350
CR40	111,291	20324 - Communications and Design	94,420	125,080	**121,270**	30,660	26,850
CR41	226,177	20151 / 20152 / 20155-61 - Foreshore Trust	0	0	**0**	0	0
						0	0
	611,511		665,538	637,280	**445,430**	**(28,258)**	**(220,108)**

OPERATIONAL SERVICES

Appendix O

Reference NO.	2020-21 ACTUAL	SERVICE	2021-22 ORIGINAL BUDGET	2021-22 REVISED BUDGET	**2022-23 ESTIMATED OUTTURN**	2021-22 BUDGET VARIANCE	2021-22 BUDGET VARIANCE
	£	**SUMMARY OF REVENUE ESTIMATES**	£	£	£	£	£
OS1	943,992	20169 - Environmental Services Management & Administration	990,220	981,670	**943,470**	(8,550)	(46,750)
OS2	386,613	20170 - Amenities Administration	413,920	421,560	**428,250**	7,640	14,330
OS3	487,160	20316 - Waste Service - Management and Admin	464,510	471,280	**478,500**	6,770	13,990
OS4	818,045	20317 - Parking Service - Management and Admin	853,980	803,970	**841,240**	(50,010)	(12,740)
OS5	892,081	20172 - Administration - Housing	905,200	895,680	**912,320**	(9,520)	7,120
OS6	80,679	20173 - Local Land Planning Management & Admin	87,420	87,010	**90,790**	(410)	3,370
OS7	82,409	20174 - Director of Operational Services	0	0	**0**	0	0
OS8	276,473	20175 - Leisure Administration	290,200	291,660	**294,090**	1,460	3,890
OS9	207,397	20176 - Resort Services Management and Administration	217,060	218,160	**218,980**	1,100	1,920
OS10	516,562	20177 - Regeneration Administration Division	532,320	519,460	**511,270**	(12,860)	(21,050)
OS11	321,806	20178 - Communications & Marketing	311,540	314,410	**311,390**	2,870	(150)
	(5,013,216)	Less recharges to other services	(5,066,370)	(5,066,370)	**(5,066,370)**	0	0
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	0	Unallocated Balance	0	(61,510)	**(36,070)**	**(61,510)**	**(36,070)**
OS12	50,891	20179 - Building Control	62,420	62,420	**62,420**	0	0
OS13	633,357	20180 - Development Control & Conservation	740,490	920,040	**836,470**	179,550	95,980
OS14	(123,352)	20181 - Local Land Charges Register	(106,570)	(125,520)	**(112,850)**	(18,950)	(6,280)
OS15	1,825,392	20182 - Homelessness	2,123,870	2,459,990	**2,906,870**	336,120	783,000
OS16	(1)	20183 - Homelessness Reduction Grant	0	0	**0**	0	0
OS17	233,854	20207 - Rough Sleeper Prevention	0	0	**0**	0	0
OS18	11,790	20206 - Syrian Resettlement Programme	0	(64,510)	**(82,640)**	(64,510)	(82,640)
OS19	89,493	20184 - Social Lettings	76,210	156,540	**150,840**	80,330	74,630
OS20	89,319	20185 - Homelessness Strategy	103,310	102,210	**104,410**	(1,100)	1,100
OS21	65,785	20186 - Housing Register	74,100	74,770	**74,770**	670	670
OS22	(1)	20187 - Funded Deposits	0	0	**0**	0	0
OS23	(9,458)	20188 - Youth Homelessness	18,280	18,810	**22,140**	530	3,860
OS24	106,415	20191 - Housing Renewal	395,610	435,040	**395,450**	39,430	(160)
OS25	62,561	20193 - Controlling Migration Fund	33,300	157,370	**0**	124,070	(33,300)
OS26	359,002	20195 - Selective licensing	0	0	**0**	0	0
OS27	(69,015)	20196 - Housing Licensing	(3,450)	7,910	**172,310**	11,360	175,760
OS28	7,616	20197 - Housing Solution Services	8,080	4,100	**11,490**	(3,980)	3,410
OS29	(0)	20334 - CHART - Live, Work, Thrive	0	0	**0**	0	0
OS30	36,080	20200 - Dangerous Structures	2,500	525,000	**2,500**	522,500	0
OS31	720	20198 - Housing - Works in Default	0	4,650	0	4,650	0
OS32	0	20342 - CHART - Resettlement Employability Project	0	0	0	0	0
OS33	1	20202 - Housing - NHS Clinical Commissioning Group CCG	0	0	**0**	0	0
OS34	5,435	20204 - Sustainable Housing in Inclusive Neighbourhoods	0	0	**0**	0	0
OS35	0	20344 - Afghan Resettlement Programme	0	(48,450)	(47,020)	(48,450)	(47,020)
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	3,375,884	**Housing and Built Environment**	3,528,150	4,690,370	**4,497,160**	**1,162,220**	**969,010**
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Reference NO.	2020-21 ACTUAL	SERVICE	2021-22 ORIGINAL BUDGET	2021-22 REVISED BUDGET	2022-23 ESTIMATED OUTTURN	2021-22 BUDGET VARIANCE	2021-22 BUDGET VARIANCE
OS36	253,125	20208 - Regeneration Activity	308,450	294,190	**305,660**	(14,260)	(2,790)
OS37	89,706	20209 - White Rock Area Development	117,640	52,640	**52,640**	(65,000)	(65,000)
OS38	337,098	20211 - Planning Policy	368,740	254,040	**289,200**	(114,700)	(79,540)
OS39	0	20341 - Local Plan	0	135,990	**201,820**	135,990	201,820
OS40	92,120	20212 - Cultural Activities	124,550	122,350	**124,170**	(2,200)	(380)
OS41	98,797	20214 - External Funding Initiatives	95,190	96,070	**98,430**	880	3,240
OS42	20,952	20215 - Community Cohesion	32,790	32,620	**32,570**	(170)	(220)
OS43	0	20336 - Reopening High Street Fund	0	0	**0**	0	0
OS44	0	20326 - Hastings Fish Brand	0	0	**0**	0	0
OS45	168	20217 - Coastal Communities Fund	0	0	**0**	0	0
OS46	(15,800)	20269 - CHART CLLD - Connecting Hastings and Rother Together Community Led Local Development	(15,800)	(13,350)	**67,000**	2,450	82,800
OS47	(62,889)	20325 - DESTI Smart	0	(760)	**0**	(760)	0
OS48	180,768	20219 - Community Partnership	0	0	**0**	0	0
OS49	0	20335 - LGF Wayfinding	0	0	**0**	0	0
OS50	2,446	20221 - Youth Activities (Young Persons Council)	5,000	5,000	**5,000**	0	0
OS51	30,038	20166 - Towns Fund	113,000	196,870	**(7,000)**	83,870	(120,000)
OS52	65,697	20222 - 1066 Country Campaign	137,920	205,920	**137,860**	68,000	(60)
OS53	6,140	20223/ 20224 - Tourism Marketing	0	0	**0**	0	0
OS54	170,405	20225 - Visitor Centre	133,940	105,080	**108,460**	(28,860)	(25,480)
OS55	6,131	20226 - Community Awareness	3,100	3,100	**1,900**	0	(1,200)
OS56	60,403	20228, 20229, 20230-20233, 20234-20235, 20237, 20238 - Raising the Profile of Hastings	68,900	52,260	**69,350**	(16,640)	450
OS57	4,328	20239 - Meteorological Expenses	4,350	4,350	**4,350**	0	0
OS58	11,403	20240 - Civic & Ceremonial Expenses	14,180	15,180	**14,400**	1,000	220
OS59	4,042	20241 - Filming	(4,000)	(24,500)	**(10,000)**	(20,500)	(6,000)
OS60	19,043	20242 - Coastal Protection	19,870	25,470	**25,470**	5,600	5,600
OS61	6,251	20243 - Navigational Aids	3,620	3,680	**3,680**	60	60
OS62	19,446	20244 - Env. Schemes Net Shops	25,050	19,450	**19,450**	(5,600)	(5,600)
OS63	171,055	20245 - Cliff Railways	(138,380)	(2,640)	**(104,520)**	135,740	33,860
OS64	(12,645)	20246/20247 - Castle and Caves	(14,330)	6,880	**(17,860)**	21,210	(3,530)
OS65	(211,775)	20248 - Chalets and Beach Huts	(226,130)	(189,440)	**(220,860)**	36,690	5,270
OS66	464,403	20249 - White Rock Theatre	353,370	268,370	**253,370**	(85,000)	(100,000)
OS67	211,300	20250 - Seafront	236,770	244,370	**220,760**	7,600	(16,010)
OS68	375,579	20251 - Museums	423,590	356,040	**457,610**	(67,550)	34,020
OS69	9,199	20252 - Fishermans Museum	8,630	8,490	**10,490**	(140)	1,860
OS70	12,092	20257 - Sports Management	(13,910)	(25,120)	**(13,910)**	(11,210)	0
OS71	45,832	20258 - Falaise Fitness Centre	45,920	46,280	**71,280**	360	25,360
OS72	248,755	20259 - Sports Centres	48,750	162,680	**71,480**	113,930	22,730
OS73	0	20271 - CHART Active Hastings	0	(10)	**0**	(10)	0
OS74	188,659	20264 - Active Hastings & Play Development	152,930	191,500	**160,830**	38,570	7,900
OS75	57,928	20267 - Play Pathfinder	49,520	40,520	**40,520**	(9,000)	(9,000)
OS76	99,483	20321 - Renewable Energy Solutions	151,070	101,830	**104,710**	(49,240)	(46,360)
OS77	7,702	20327 - Museum & Schools Project	0	(4,330)	**0**	(4,330)	0
OS78	(6,000)	20273 - British BID DCLG - Loan Fund (Business Improvement District)	0	0	**0**	0	0
	3,061,382	**Regeneration and Culture**	2,634,290	2,791,070	**2,578,310**	**156,780**	**(55,980)**

Reference NO.	2020-21 ACTUAL	SERVICE	2021-22 ORIGINAL BUDGET	2021-22 REVISED BUDGET	**2022-23 ESTIMATED OUTTURN**	2021-22 BUDGET VARIANCE	2021-22 BUDGET VARIANCE
OS79	267,118	20276 - Food Safety	282,010	287,000	**282,000**	4,990	(10)
OS80	152,937	20277 / 20278 - Health and Safety	156,120	156,120	**156,120**	0	0
OS81	305,174	20279 - Environmental Protection	333,820	321,870	**322,830**	(11,950)	(10,990)
OS82	38,769	20280 - Pest Control	43,360	50,410	**54,640**	7,050	11,280
OS83	62,357	20281 - Local Licensing	68,160	78,350	**78,430**	10,190	10,270
OS84	(68,450)	20283 - Liquor Licensing	(68,760)	(63,760)	**(68,760)**	5,000	0
OS85	(16,119)	20284 - Gambling Licensing	(18,770)	(16,270)	**(16,270)**	2,500	2,500
OS86	45,324	20285 - Stray Dog Contract	45,710	45,710	**45,710**	0	0
OS87	53,820	20286 - Emergency Planning	66,750	69,450	**69,450**	2,700	2,700
OS88	(218,797)	20287 / 20288 - Parking	(659,100)	(650,650)	**(768,700)**	8,450	(109,600)
OS89	69,398	20290 - Closed Circuit Television	75,190	75,190	**75,190**	0	0
OS90	(1,791)	20291 - ESCC Highway Tree Maintenance	(3,000)	(3,000)	**(3,000)**	0	0
OS91	0	20119 - DSO Operational Building	0	0	**8,070**	0	8,070
OS92	1,117,453	20293 - Waste Collection	1,221,910	1,344,330	**1,385,350**	122,420	163,440
OS93	944,092	20294 - Recycling	958,850	862,890	**901,900**	(95,960)	(56,950)
OS94	110,315	20295 - Street Cleansing	114,890	114,890	**114,890**	0	0
OS95	1,195,335	20323 - Waste and Street Cleansing (DSO)	1,329,950	1,353,870	**1,377,260**	23,920	47,310
OS96	(206,369)	20296 - Greenwaste	(252,570)	(305,520)	**(299,655)**	(52,950)	(47,085)
OS97	334,908	20297 - Waste and Environmental Enforcement Team	315,860	340,860	**325,860**	25,000	10,000
OS98	36,727	20298 - Together Action	37,420	37,420	**37,420**	0	0
OS99	99,405	20299 - Safer Hastings Partnership (HBC)	97,120	85,610	**89,320**	(11,510)	(7,800)
OS100	8,184	20300 - Safer Hastings Partnership (External)	0	10,000	**0**	10,000	0
OS101	(0)	20337 - Safer Streets	0	0	**0**	0	0
OS102	0	20345 - Violence Against Women and Girls	0	0	**0**	0	0
OS103	30,784	20302 - Watercourses	34,310	34,310	**34,360**	0	50
OS104	(714,564)	20303 / 20304 - Cemetery and Crematorium	(596,350)	(604,290)	**(624,380)**	(7,940)	(28,030)
OS105	24,956	20305 - Travellers Costs	25,990	26,130	**26,130**	140	140
OS106	34,834	20306 - Town Centre	38,060	41,060	**36,160**	3,000	(1,900)
OS107	23,174	20307 - Allotments	23,190	22,270	**22,580**	(920)	(610)
OS108	15,709	20308 - Ecology	19,220	18,470	**18,470**	(750)	(750)
OS109	161,817	20309 - Arboriculture	155,690	162,240	**157,250**	6,550	1,560
OS110	1,194,375	20310 - Parks and Gardens	1,419,130	1,586,190	**1,324,590**	167,060	(94,540)
OS111	122,550	20312 / 20313 - Hastings Country Park	181,120	166,550	**111,330**	(14,570)	(69,790)
OS112	50,527	20314 - Countryside Stewardship	24,000	24,000	**24,000**	0	0
OS113	344,617	20315 - Public Conveniences	350,380	364,710	**374,890**	14,330	24,510
OS114	0	20338 - Hastings Country Park Grant Funded Works	0	0	**0**	0	0
OS115	832	20339 - Hastings Country Park Visitor Centre	20,000	20,000	**20,000**	0	0
	5,619,402	**Environment and Place**	5,839,660	6,056,410	**5,693,435**	**216,750**	**(146,225)**
	12,056,667	**Operational Services Directorate Total**	**12,002,100**	**13,476,340**	**12,732,835**	**1,474,240**	**730,735**

CAPITAL PROGRAMME SUMMARY

		Original 2021/22 £'000	Revised 2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Subseq. Years £'000	Total over Prog Period £'000
Net cost by Service								
Corporate Resources		11,693	2,402	11,174	288	0	0	13,864
Operational Services		1,088	1,272	3,680	8,885	6,085	1,465	21,387
		12,781	**3,674**	**14,854**	**9,173**	**6,085**	**1,465**	**35,251**
Net cost by Status								
Committed Schemes	c	9,504	2,568	10,164	873	585	1,465	15,655
Uncommitted Schemes	u	318	34	200	2,300	2,000	0	4,534
New Schemes	n	2,959	1,072	4,490	6,000	3,500	0	15,062
		12,781	**3,674**	**14,854**	**9,173**	**6,085**	**1,465**	**35,251**
Gross cost of schemes analysed by service								
Corporate Resources		13,243	2,837	12,289	288	0	0	15,414
Operational Services		9,220	5,124	9,457	12,941	8,141	3,521	39,184
		22,463	**7,961**	**21,746**	**13,229**	**8,141**	**3,521**	**54,598**

Scheme Ref.	Scheme		Class	Total Gross Cost	Total Net Cost	Before 31.3.21	2021/22	Revised 2021/22	2022/23	2023/24	2024/25	Subsequent Years
						Profile of Council Net Cost						
				£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CR-16	New ERP system	*	C	1,017	538	538	0	0	0	0	0	0
CR-19	Conversion of 12/13 York Buildings	*	C	1,011	1,011	585	179	426	0	0	0	0
CR-22	Priory Meadow Contribution to Capital Works	*	C	700	700	162	250	0	250	288	0	0
CR-26	Churchfields Business Centre	*	N	4,500	2,950	131	2,819	624	2,195	0	0	0
CR-27	Development / Furbishment of Lacuna Place	*	C	9,612	9,612	9,298	188	173	141	0	0	0
CR-28	London Rd & Shepherd St	*	C	1,311	1,311	1,311	0	0	0	0	0	0
CR-29	Cornwallis Street Development	*	C	8,000	8,000	84	6,946	1,081	6,835	0	0	0
CR-30	Harold Place Restaurant Devt	*	C	1,700	1,700	11	1,171	76	1,613	0	0	0
CR-32	Development of 311-323 Bexhill Rd (Aldi & Others)	*	C	9,389	9,389	9,389	0	0	0	0	0	0
CR-33	Castleham Car Park resurfacing	*	N	22	22	0	0	22	0	0	0	0
CR-34	Castleham Industrial Units	*	N	140	140	0	140	0	140	0	0	0
	Schemes Already Committed		C	32,740	32,261	21,378	8,734	1,756	8,839	288	0	0
	Schemes Uncommitted		U	0	0	0	0	0	0	0	0	0
	New Schemes		N	4,662	3,112	131	2,959	646	2,335	0	0	0
	No further approval required where * shown	*										
Total Capital Expenditure				37,402	35,373	21,509	11,693	2,402	11,174	288	0	0

			Total Budget £'000	Before 31.3.21 £'000	21/22 £'000	Revised 21/22 £'000	22/23 £'000	23/24 £'000	24/25 £'000	Subsequent Years £'000
CR-16 71224	**New ERP system**									
	Purchase and development of new Enterprise Resource Planning system									
	Funding Source									
	Council		538	538	0	0	0	0	0	0
	Other		479	479	0	0	0	0	0	0
	Total Funding		1,017	1,017	0	0	0	0	0	0
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	585	179	426	0	0	0	0
	Other		0	0	0	0	0	0	0	0
	Total Funding		1,011	585	179	426	0	0	0	0
CR-22 71259	**Priory Meadow Contribution to Capital Works**									
	Contribution to ensure continuing rental income									
	Funding Source									
	Council		700	162	250	0	250	288	0	0
	Other		0	0	0	0	0	0	0	0
	Total Funding		700	162	250	0	250	288	0	0
CR-32 71261	**Development of 311-323 Bexhill Rd (Aldi & Others)**									
	Acquisition of Commercial Property - 311-323 Bexhill Road (Aldi & Others)									
	Funding Source									
	Council		9,389	9,389	0	0	0	0	0	0
	Other		0	0	0	0	0	0	0	0
	Total Funding		9,389	9,389	0	0	0	0	0	0
CR-26 71272	**Churchfields Business Centre**									
	Sidney Little road Business Incubator Hub									
	Funding Source									
	Council		2,950	131	2,819	624	2,195	0	0	0
	Other - LGF funding £500k & CHART £300k & Towns Fund £750k		1,550	0	1,550	435	1,115	0	0	0
	Total Funding		4,500	131	4,369	1,059	3,310	0	0	0
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	9,298	188	173	141	0	0	0
	Other		0	0	0	0	0	0	0	0
	Total Funding		9,612	9,298	188	173	141	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	1,311	1,311	0	0	0	0	0	0
	Other		0	0	0	0	0	0	0	0
	Total Funding		1,311	1,311	0	0	0	0	0	0

			Total Budget £'000	Before 31.3.21 £'000	21/22 £'000	Revised 21/22 £'000	22/23 £'000	23/24 £'000	24/25 £'000	Subsequent Years £'000
CR-29 71275	**Cornwallis Street Development**									
	Redevelopment of Cornwallis Street for Hotel									
	Funding Source									
	Council	c	8,000	84	6,946	1,081	6,835	0	0	0
	Other		0	0	0	0	0	0	0	0
	Total Funding		8,000	84	6,946	1,081	6,835	0	0	0
CR-30 71276	**Harold Place Restaurant Devt**									
	Redevelopment of Harold Place for Restaurant use									
	Funding Source									
	Council	c	1,700	11	1,171	76	1,613	0	0	0
	Other		0	0	0	0	0	0	0	0
	Total Funding		1,700	11	1,171	76	1,613	0	0	0
CR-33 71281	**Castleham Car Park resurfacing**									
	Resurface Car Park									
	Funding Source									
	Council	c	22	0	0	22	0	0	0	0
	Other		0	0	0	0	0	0	0	0
	Total Funding		22	0	0	22	0	0	0	0
CR-34 71285	**Castleham Industrial Units**									
	Over-Roofing Units 6,7,8 & 9/10									
	Funding Source									
	Council	c	140	0	140	0	140	0	0	0
	Other		0	0	0	0	0	0	0	0
	Total Funding		140	0	140	0	140	0	0	0
	Totals									
	Council	c	35,373	21,509	11,693	2,402	11,174	288	0	0
	Other	o	2,029	479	1,550	435	1,115	0	0	0
			37,402	**21,988**	**13,243**	**2,837**	**12,289**	**288**	**0**	**0**

Scheme Ref.	Scheme		Class	Total Gross Cost	Total Net Cost	Before 31.3.21	2021/22	Revised 2021/22	2022/23	2023/24	2024/25	Subsequent Years
						Profile of Council Net Cost						
				£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£,000**	**£,000**	**£'000**
H07	Private Sector Renewal Support	*	c	32	0	0	0	0	0	0	0	0
H08	Disabled Facilities Grant	*	c	10,733	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	5,703	5,703	5,703	0	0	0	0	0	0
RP04	Restoration of Pelham Crescent/ Pelham Arcade	*	c	756	359	295	34	1	33	0	0	30
RP16	Road at Pelham Arcade		u	656	245	11	34	34	200	0	0	0
RP11	Groyne Refurbishment	*	c	105	105	0	70	0	0	35	35	35
ES35	Work on Harbour Arm and New Groynes	*	c	2,965	0	0	0	0	0	0	0	0
ES36	Further Sea Defence works	*	c	150	0	0	0	0	0	0	0	0
RP09	Public Realm	*	c	194	88	88	31	0	0	0	0	0
ES32	Country Park - Interpretive Centre	*	c	600	262	224	0	38	0	0	0	0
ES37	Playgrounds Upgrade Programme	*	c	302	283	160	79	85	38	0	0	0
OS 28	Hastings Housing Company		c	5,428	5,428	5,428	0	0	0	0	0	0
OS 26	DSO - Waste and Cleansing service - Vehicles	*	c	771	771	771	0	0	0	0	0	0
OS 27	DSO Waste and Cleansing service - Depot Works & Equipment	*	c	136	136	136	0	0	0	0	0	0
OS06	Energy - Solar Panels		c	1,700	1,700	62	200	100	538	500	500	0
OS07	Energy Generation - Unallocated		u	4,300	4,300	0	284	0	0	2,300	2,000	0
OS4	Buckshole Reservoir	*	c	1,253	1,253	132	160	455	666	0	0	0
OS12	Priory Street Multi Storey Car Park	*	c	1,545	1,545	145	0	0	0	0	0	1,400
OS13	Lower Bexhill Road	*	c	6,993	93	93	35	0	0	0	0	0
OS14	Electric Vehicles	*	c	13	0	0	86	0	0	0	0	0
OS15	Electric Vehicle Infrastructure	*	c	44	44	44	0	0	0	0	0	0
OS16	Priory Street Works	*	c	140	140	7	25	133	0	0	0	0
OS-30	Next Steps Accommodation Pathway	*	n	1,855	426	0	0	426	0	0	0	0
OS29	Towns Fund Capital (2020/21 Accelerated scheme)	*	n	1,000	0	0	0	0	0	0	0	0
OS31	Bexhill Road South (Housing & Car Park)		n	3,575	3,575	0	0	0	1,075	2,500	0	0
OS32	Mayfield E (Housing)		n	8,000	8,000	0	0	0	1,000	3,500	3,500	0
OS33	MUGA Refurbishments		n	80	80	0	0	0	80	0	0	0
	Schemes Already Committed		c	34,109	12,456	7,684	770	812	1,325	585	585	1,465
	Schemes Uncommitted		u	4,956	4,545	11	318	34	200	2,300	2,000	0
	New Schemes		n	20,213	17,784	5,703	0	426	2,155	6,000	3,500	0
	No further approval required											

		Total Budget £'000	Before 31.3.21 £'000	21/22 £'000	Revised 21/22 £'000	22/23 £'000	23/24 £'000	24/25 £'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	32	32	27	0	0	0	0	0
	Total Funding	32	32	27	0	0	0	0	0
H08 71228	**Disabled Facilities Grant**								
	Property Grants for disabled facilities Grant of £2,056,655 for 2021/22 (DFG reserve 3.014m @ 31st March 2021)								
	Funding Source								
	Council	0	0	0	0	0	0	0	0
	Government Grant	10,733	1,109	1,812	1,400	2,056	2,056	2,056	2,056
	Total Funding	10,733	1,109	1,812	1,400	2,056	2,056	2,056	2,056
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	5,703	5,703	0	0	0	0	0	0
	Government Grant / S106	0	0	0	0	0	0	0	0
	Total Funding	5,703	5,703	0	0	0	0	0	0
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	295	34	1	33	0	0	30
	Historic England(English Heritage) £280K Council reserves £117K	397	293	104	104	0	0	0	0
	Total Funding	756	588	138	105	33	0	0	30
RP16 71232	**Road at Pelham Arcade**								
	Road above Pelham Arcade								
	Funding Source								
	Council	245	11	34	34	200	0	0	0
	Other- Freeholder Contributions & Historic England	411	0	50	50	361	0	0	0
	Total Funding	656	11	84	84	561	0	0	0

		Total Budget £'000	Before 31.3.21 £'000	21/22 £'000	Revised 21/22 £'000	22/23 £'000	23/24 £'000	24/25 £'000	Subsequent Years £'000
RP11 71240	**Groyne Refurbishment**								
	To maintain Beach and Groynes								
	Funding Source								
	Council	105	0	70	0	0	35	35	35
	Other	0	0	0	0	0	0	0	0
	Total Funding	105	0	70	0	0	35	35	35
ES35 71241	**Work on Harbour Arm and New Groynes**								
	Coastal Protection – FDGIA Funding for sea defence works								
	Funding Source								
	Council	0	0	0	0	0	0	0	0
	Contribution from DEFRA/EA	2,965	2,568	320	132	265	0	0	0
	Total Funding	2,965	2,568	320	132	265	0	0	0
ES36 71242	**Further Sea Defence works**								
	Hastings Pier to South West Outfall								
	Funding Source								
	Council	0	0	0	0	0	0	0	0
	Other - DEFRA/EA	150	0	150	116	34	0	0	0
	Total Funding	150	0	150	116	34	0	0	0
RP09 71244	**Public Realm**								
	Improvement & Refurbishment of public realm assets								
	Funding Source								
	Council	88	88	31	0	0	0	0	0
	Other -Coastal Communities Fund revenue	106	106	0	0	0	0	0	0
	Total Funding	194	194	31	0	0	0	0	0
ES32 71248	**Country Park - Interpretive Centre**								
	Provision of a new Interpretive Centre. Council funding 40%.								
	Funding Source								
	Council	262	224	0	38	0	0	0	0
	Other - European Funding 60%	338	338	0	0	0	0	0	0
	Total Funding	600	562	0	38	0	0	0	0

		Total Budget	Before 31.3.21	21/22	Revised 21/22	22/23	23/24	24/25	Subsequent Years
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'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	160	79	85	38	0	0	0
	Other S106	19	12	7	7	0	0	0	0
	Total Funding	302	172	86	92	38	0	0	0
OS 28 71254	**Hastings Housing Company**								
	Funding Source								
	Council	5,428	5,428	0	0	0	0	0	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	5,428	5,428	0	0	0	0	0	0
OS 26 71255	**DSO - Waste and Cleansing service - Vehicles**								
	Funding Source								
	Council	771	771	0	0	0	0	0	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	771	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)	136	136	0	0	0	0	0	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	136	136	0	0	0	0	0	0
OS06 71256	**Energy - Solar Panels**								
	Solar Panels on non-domestic rooftops within the borough								
	Funding Source								
	Council	1,700	62	200	100	538	500	500	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	1,700	62	200	100	538	500	500	0
OS07 71267	**Energy Generation - Unallocated**								
	Future Green Energy Projects								
	Funding Source								
	Council	4,300	0	284	0	0	2,300	2,000	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	4,300	0	284	0	0	2,300	2,000	0
OS4 71258	**Buckshole Reservoir Statutory Protection Works**								
	Spillway, drawdown works, signage & Contract Works								
	Council	1,253	132	160	455	666	0	0	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	1,253	132	160	455	666	0	0	0

		Total Budget £'000	Before 31.3.21 £'000	21/22 £'000	Revised 21/22 £'000	22/23 £'000	23/24 £'000	24/25 £'000	Subsequent Years £'000
OS12 71265	**Priory Street Multi Storey Car Park**								
	Car Park Improvements - Concrete Repairs								
	Funding Source								
	Council	1,545	145	0	0	0	0	0	1,400
	Other	0	0	0	0	0	0	0	0
	Total Funding	1,545	145	0	0	0	0	0	1,400
OS13 71271	**Lower Bexhill Road**								
	Housing Development								
	Funding Source								
	Council	93	93	35	0	0	0	0	0
	Other	6,900	1,238	5,662	601	3,061	2,000	0	0
	Total Funding	6,993	1,331	5,697	601	3,061	2,000	0	0
OS14 71278	**Electric Vehicles**								
	Acquisition of Electric Vehicles (2022/23 onwards - subject to further report)								
	Funding Source								
	Council - Vehicles expected to be leased	0	0	86	0	0	0	0	0
	Other	13	0	0	13	0	0	0	0
	Total Funding	13	0	86	13	0	0	0	0
OS15 71279	**Electric Vehicle Infrastructure**								
	Electric Vehicle Charging points, Load loggers, remedial works & EV points								
	Funding Source								
	Council	44	44	0	0	0	0	0	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	44	44	0	0	0	0	0	0
OS16 71280	**Priory Street Works**								
	LED Lighting replacement, rewiring & automated gate control								
	Funding Source								
	Council	140	7	25	133	0	0	0	0
	Other	0	0	0	0	0	0	0	0
	Total Funding	140	7	25	133	0	0	0	0
OS29 71282	**Towns Fund Capital (2020/21 Accelerated scheme)**								
	Towns Fund Capital (Accelerated)								
	Funding Source								
	Council	0	0	0	0	0	0	0	0
	Other	1,000	1,000	0	0	0	0	0	0
	Total Funding	1,000	1,000	0	0	0	0	0	0
OS31 71288	**Bexhill Road South (Housing & Car Park)**								
	Development of 16 plus affordable units & Car Park refurbishment								
	Funding Source								
	Council	3,575	0	0	0	1,075	2,500	0	0
	Other	0	0	0	0	0	0	0	0