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Cabinet Agenda

Monday, 6 February 2023 at 6.00 pm

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

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Agenda Item 4

Report To:	**Budget Cabinet**
Date of Meeting:	**Monday 6 February 2023**
Report Title:	**Draft Corporate Plan and Budget consultation feedback**
Report By:	**Jane Hartnell, Managing Director**
Key Decision:	**Y**
Classification:	**Open**

Purpose of Report

To feedback to Cabinet comments made on the draft Corporate Plan and Budget proposals.

PLEASE NOTE: consultation on the draft corporate plan and budget is on-going until 3rd February 2023. The access to information regulations however require us to publish this agenda before the end of the consultation.

A summary of the comments and feedback from the consultation will be published as a supplementary item just before the Cabinet meeting.

Recommendation(s)

1. **That the Cabinet reviews the comments submitted as part of the consultation and considers what amendments it wishes to make to the draft corporate plan updates and budget that it subsequently recommended to the Budget Council.**

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

3. **That officers follow up on items raised during the consultation that do not directly affect the corporate plan or budget.**

Reasons for Recommendations

1. The Cabinet recommends a draft corporate plan update and draft budget to the Budget Council meeting on 15th February 2023, and in doing so will need to be mindful of the views received as part of the public consultation.

Consultation

1. 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.

2. Details of the consultation were published on the council's website, in the weekly residents' newsletter and on the council's social media sites. Information was also sent to the local newspapers for publication.

3. A programme of meetings with partners and representative bodies was held where the budget and corporate plan were discussed, and comments sought – these are listed below:

    a. Chamber of Commerce

    b. Hastings Community Network

    c. Local Strategic Partnership

    d. Overview and Scrutiny Committee (minutes of this discussion are located here)

4. The consultation closes at noon on Friday 3 February 2023. However, the access to information regulations requires us to publish this agenda before the end of the consultation.

5. A summary of the comments and feedback from each of the meetings, and the public and partner feedback will be published as a supplementary item just before the Cabinet meeting.

Wards Affected

(All Wards);

Policy Implications

Reading Ease Score:

Have you used relevant project tools:

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 – Consultation feedback summary and responses – to follow

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Officer to Contact

Officer Stephen Dodson (Transformation and Programmes Manager)
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Agenda Item 5

Report To:	**Budget Cabinet**
Date of Meeting:	**Monday 6 February 2023**
Report Title:	**Draft Corporate Plan update 2023/24**
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 national and global context within which we are now working and summarises some of the key activities the council will undertake in 2023/24.

NOTE: consultation on the draft corporate plan and budget is on-going until 3rd February 2023, a separate report on this agenda gives feedback on the comments raised.

The access to information regulations however requires us to publish this agenda before the end of the consultation – the attached draft therefore remains subject to change once the consultation has finished.

Recommendation(s)

1. **That Cabinet recommends that Full Council 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.**

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. Since then the COVID-19 pandemic has affected the world, alongside war in Ukraine and a cost-of-living crisis leading to high inflation and price rises. The housing crisis is the main financial pressure facing the Council in the coming year and is the key focus of work.

2. The 2022/23 Corporate Plan update reflected several new activities, roles and responsibilities the Council was focussed on to start to recover from the pandemic, working with our partners.

Draft 2023/24 Corporate Plan Update

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

4. The draft Corporate Plan 2023/24 annual update is set out in appendix A.

5. The headline key activities proposed for 2023/24 include:

   a. Ongoing actions - including those paused or delayed by the pandemic or which were not expected to be completed until 2023-24

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

6. 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.

7. The Overview and Scrutiny Committee will continue to monitor performance quarterly against our milestones and measures.

Equalities

8. A draft assessment of equality impacts on the service changes proposed is included with the draft budget proposals for 2023/24 within Appendix K2.

Options

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

Timetable of Next Steps

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

Action	Key milestone	Due date (provisional)	Responsible
Corporate plan	Updates approved	1st March 2023	Transformation

annual update finalised and published on the council's website			and Programmes Manager Communications Manager
2023/24 performance milestones and measures integrated into performance dashboard	Dashboard refreshed.	1st April 2023	Transformation and Programmes Manager
2022/23 year end performance data collated and used to propose draft Performance Indicator targets for 2023/24 for consideration by O&S and Cabinet	Cabinet report	July 2023	Transformation and Programmes 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 2023/24

Officer to Contact

Officer Stephen Dodson (Transformation and Programmes Manager)
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Draft Corporate Plan key activities update for 2023/24

The council agreed its four-year Corporate Plan* in 2020 and set out its vision and objectives for the period up to the end of 2023/24.

While these ambitions remain, the global, national and local landscape has changed significantly, and the council is now working in a very different social, economic, financial and political context. The council takes these challenges very seriously and has had to change the way it works since Covid, and will continue to address these through our 2023/24 update.

We remain passionate about Hastings, ambitious for the town, and determined to find new and effective ways of delivering for all our residents. One of the positive aspects of Covid has been the effective new partnerships which bring together the council with our innovative voluntary sector, as well as key agencies such as the NHS, East Sussex College and local business.

Increasingly we recognise that councils can only deliver transformation through these partnerships, and so as we focus more on enabling, new platforms that provide ways for local expertise in different fields to be heard are needed. This year the council will start discussions about how best to harness this talent in culture, in the environment and in health. Hastings is full of remarkable people, and by working together we can make it an even more special and more equal place to live, visit and work in.

We are committed to speeding up the regeneration of our town centre, making it an attractive and sustainable place that people want to spend time in, whether to live, shop or enjoy themselves. We are committed to tackling the real challenges of the climate emergency, and to supporting those residents who are struggling with poor health, not enough money and insufficient work and education opportunities.

Our corporate plan update carefully balances the continuing work begun in 2020 with these new initiatives, allowing residents, partners, and stakeholders to understand our commitments and the targets we have set ourselves for the coming year. The Overview and Scrutiny Committee play a key role in holding the administration to account for delivery of these activities.

To determine the commitments set out below, detailed assessments are made by service managers of the capacity of their teams to deliver the council's responsibilities and ambitions. These assessments are informed by statutory (legal) requirements for things the council must do, the level of demand for services (which is higher in the cost of living crisis), the availability of staff and other resources (recruitment and retention of staff remains a challenge in some areas), funding available for activities (including external or from grants), the ability for activities to generate income that can support other council activity, and of course political priorities and aspirations.

The council's financial position is the biggest constraint on its ambition. The significantly reduced level of direct government support over the last decade, the inability of the borough council to raise high levels of council tax and business rates (compared to other councils), and the high demand for key services such as homelessness and benefits have all combined to create a significant deficit - the council's costs are higher than it is able to raise through fees, council tax, other income and government grants.

The largest impact on the council's financial position is that of the costs of temporary accommodation to house those entitled to support under homelessness legislation. The housing crisis in our town is characterised by a continually reducing supply of affordable private rented housing as landlords sell up or increase rents; a significant waiting list for social housing; low wages; and a gap between what housing costs the benefit system will pay for and the level of rent required.

This housing crisis has a huge impact on the lives of the almost 500 households currently living in temporary accommodation, and has a direct impact on the council's financial situation. The net cost for statutory temporary accommodation costs in 2019 was £731,706. The forecast net cost for the whole of 2022/23 is £4,470,220 a rise of more than 500% since 2019/20.

These costs are unsustainable and are threatening the financial stability of the council. Despite all our initiatives and interventions, the short-term position of the council (until further significant numbers of affordable accommodation is built in around two years' time) is extremely challenging.

In response, the council is moving to a model whereby it no longer directly delivers some of the non-statutory activities it has supported in the past but will seek to work in partnership with others where this can be done more cost-effectively or enables others to step in.

The council of course also needs to ensure that it can continue to employ the best and most committed staff team to deliver services to local people.

Tackling homelessness, poverty and ensuring quality housing
1. The Housing and Homelessness Taskforce will continue to prioritise the key delivery objectives identified aimed at reducing our temporary and emergency accommodation usage. We will also progress and implement cost effective alternatives to high-cost emergency housing provision.
2. Conclude implementation and encourage take up of new self-service system for revenues and benefits.
3. Achieve key performance and collection targets in respect of benefit processing times and collection rates for council tax and business rates.
4. Continue our programme to maximise delivery of much needed new, Local Housing Allowance rate, affordable and retrofitted homes in our town: • Including 500 affordable homes by 2027, maximising the number of rented homes, with first 200 due to be completed from this year. • Progress developments on council owned land such as Bexhill Road South and Mayfield E to meet this affordable homes target.

5. Improve access to settled housing for homeless people through our social lettings agency and property owner incentive programmes.

6. 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.

7. Utilise available grant funding aimed at reducing fuel poverty and improving energy efficiency by promoting and referring residents to the Warm Home Check Service.

8. Develop our acquisitions programme to supply up to 200 units of cost-effective temporary accommodation, starting this year, by 2026.

9. Ensure that all homes delivered by the council or partners comply with the Healthy Homes principles as outlined by the Town and Country Planning Association.

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

11. Housing and Homelessness Taskforce will 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.

12. Use Disability Funding Grants funding available through the financial assistance policy to supply adaptations more effectively to eligible residents to allow them to live independently for as long as they feel able, involving local partners and housing providers.

Keeping Hastings clean and safe

13. 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) towards finding potential improvements to the way the service is run, and implement them where sufficient budget is found and authorised.

14. 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, including reporting highways issues weekly.
15. Ensuring statutory delivery of our licensing and environmental health commitments including: • Continue to support local businesses to comply and keep food hygiene ratings.
Making best use of our land, buildings, public realm and cultural assets
16. Implement the in-house grounds maintenance contract from November 2023. 17. Complete the landscaping work required to return Alexandra Park to its former standard following the statutory improvement works at Buckshole Reservoir. 18. Publish new Cultural Regeneration Strategy 2023-28.
19. 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 or differently with the funding and resources available. Proactively explore revenue earning opportunities at Hastings Museum & Art Gallery such as promoting it as a wedding and corporate venue, with a view to extending this model to other properties if it is successful and resources allow.
20. Promote Active Travel across Hastings to encourage active and healthy lifestyles and accelerate through a new cross party working group.
21. Complete our work on our Local Plan engaging our citizens and partners to help set how the borough will shape up for the future. Ensure the Local Plan complies with Age Friendly principles.
22. Complete new Asset Management and Capital Strategies, and 2023/24 plans and actions refreshed and delivered accordingly, including exploring earning opportunities from council property and assets. 23. Ensure both the local plan and asset management strategies include the promotion of land suitable for community food growing opportunities.
Minimising environment and climate harm in all that we do - tackling our climate and biodiversity crisis

24. Implement our actions in the updated climate change strategy and action plan, including converting waste vehicles from diesel to HVO, HBC vehicles to electric, new approaches to biodiversity through the in-house grounds maintenance service, reducing vehicle use where possible and improving pedestrian access in Hastings Town centre, prioritising sustainable and active modes of transport in the new Local Plan, expanding Solar for Business and Green Energy training.

25. Ensure every decision that the council makes will be made with climate change and the environment as a key focus, framing decisions through a climate change emergency lens with key performance indicators agreed. Encourage greater use of active travel and sustainable public transport by residents and visitors.

26. By being honest about the scale of the task ahead, we will become a campaigning council actively calling on the government for the funding that local government needs to be able to help residents and communities make the changes that are necessary to reduce our carbon emissions, including the challenge of retrofitting local housing stock.

27. Set up a cross party working group to support climate emergency work, with officer support to focus on bringing in funds for partnership working with the third and business sector and tapping into the huge skill resource available in the town.

28. Ensuring our assets are delivering on our climate action goals.

Delivery of our major regeneration schemes

29. 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. Examples for 2023/24 include supporting:
    - Design work on plans for a new Castle visitor centre including improved access
    - Consultation on detailed plans for a greener, safer, and more attractive pedestrian friendly Town Centre

30. Town Deal and other regeneration schemes will move forwards including
    - Independent town deal projects (ie East Sussex College Green Training Centre and EFT Green Classroom with Plumpton College) will be open in 2023
    - Other approved town deal projects will be implemented for completion by 2026.
    - Refining proposals, developing a business case and submitting Levelling Up bid for new health and leisure centre at Summerfields.
    - Work with Homes England to capture the wider regeneration interests in the town centre, including Station Plaza.

31. Taking Connecting Hastings and Rother Together projects to completion in June 2023.

32. Implementation of the UK Shared Prosperity Fund proposals including improvements for Broomgrove, working with local community, culture, environment, health and housing partners. Use this project to test embedding the lessons learnt from the Health Equalities work and the HVA ‘Facing the Future’ report.

33. Refocus support for the town’s visitor economy and its c7000 jobs

34. Continuing to monitor the developer’s progress with proposals to regenerate the West Marina site.

Ensuring the council can survive and thrive into the future

35. Reprioritising and reorganising services in order to meet our statutory commitments, budgetary challenges and rebuild reserves, and where necessary make reallocations of resources to reduce the impact of the housing crisis.

36. 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.
    - include carbon reduction goals.

37. Integrate lessons learned and continue to realise benefits from the digital first programme and keeping online access to services, subject to capacity and budget.

38. Facilitating good programme and project management practice across the Council’s key areas of work, subject to capacity and budget.
    - Ensure that budget managers are equipped with the necessary tools and skills, aware of their responsibilities and accountability by providing further finance for non-finance managers training.
    - Implement (as far as possible and in line with our Treasury Management Strategy) the Responsible Investment Policy committed to as part of the 2018 council motion to divest from fossil fuel businesses.

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

39. Continue to work with partners to address the health inequalities in our town:
    - Ensuring that the Universal Healthcare work delivers on the objectives of re-designing access options for local people
    - Support the Local Strategic Partnership Boards work on addressing the wider determinants of health inequalities
    - Continue to lobby to keep and sustain resources in the town, for example, to keep as many specialist units at the Conquest Hospital as possible.

40. Review the council’s procurement approach to engage local and community businesses where possible working towards a local circular economy.

41. Consider the case to move to four yearly local elections and undertake a governance review of council decision making and report to Full Council on options.

42. Begin conversations with residents and local, regional and national partners with a view to establishing new health, culture and environment partnerships in 2024.

43. Support work of Overview and Scrutiny Committee, and Local Strategic Partnership, to strengthen promotion and delivery of equalities for staff and residents.

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Agenda Item 6

Report To:	**Budget Cabinet**
Date of Meeting:	**6 February 2023**
Report Title:	DRAFT Revenue Budget 2023/24, and Capital Programme 2023/24 to 2025/26
Report By:	**Kit Wheeler** **Chief Finance Officer**
Key Decision:	**Yes**
Classification:	**Open**

Purpose of Report

PLEASE NOTE: consultation on the draft corporate plan and budget is on-going until 3rd February 2023. The access to information regulations however require us to publish this agenda before the end of the consultation.

A summary of the comments and feedback from the consultation will be published as a supplementary item just before the Cabinet meeting.

1. This report presents the draft budget for 2023/24.
2. The report identifies that a balanced budget in 2023/24 can only be achieved by using £2.5m of reserves, and that further substantial savings will be required in future years.
3. However, the forecasts for future years show an increase in reserves should the substantial saving targets be achieved. e.g. 2025/26 is currently forecast to be a predicted surplus with further surplus forecasts in the proceeding financial years.
4. 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.
5. This report will be updated for the Budget Council after the consultation and after it is presented to Cabinet following the receipt of the final government grant settlement, and changes in the business rate income projections.
6. In setting the budget for 2023/24, 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 future year forecasts 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.

7. The Cabinet meeting on the 6th February 2023 is a key part of the budget setting process. The full Council meeting on the 15 February 2023 is responsible for setting a balanced budget and determining the Council Tax.

8. Whilst savings of £1.4m have been identified for 2023/24, 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 2023/24 of 2.99% which is the maximum permissible without a referendum.

9. Not all the grant figures will be received before determining the budget. As such some figures will remain as estimates and adjustments will be made when details are known e.g. figures for Disabled Facility Grants are not expected until well into 2023/24. Precept figures will be presented to Budget Council once determined by East Sussex County Council, Police and Crime Commissioner, and Fire Authority.

Recommendation(s)

Cabinet recommends that full Council:-

(i) Approve the draft 2023/24 revenue budget (Appendix A)

(ii) Approve a 2.99% increase in the Borough Council's part of the Council Tax.

(iii) Approve the Capital Programme 2023/24 to 2025/26 (Appendix D).

(iv) 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.

(v) 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 and Chief Executive.

(vi) Agree once 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.

(vii) Approve the revised Land and Property Disposal Programme (Appendix F) and agree that disposals can be brought forward if market conditions make it sensible to do so and as part of the future Capital Asset Strategy.

(viii) 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.

(ix) 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.

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

(xi) 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).

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

(xiii) 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.

(xiv) It is recommended that the Council reviews the affordability of the Council Tax Support Scheme during 2023/24 in order for a consultation exercise to be undertaken.

Reasons for Recommendations

1. The Council continues to be 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 2023/24 and 2024/25.

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 2.99% without a referendum against a background of inflation currently running at above 9%.

3. Despite identifying Priority Income and Expenditure Review (PIER) savings of over £1.4m for 2023/24 these are insufficient to balance the budget without the further use of Reserves. Once again further significant savings need to be found during 2023/24 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.

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 2022 forecast that there would be a deficit in 2022/23 of £2.33m. Despite in year savings the revised budget identifies a deficit of £3.36m.

2. For 2023/24 the deficit is estimated at some £2.76m if all savings identified in the report are accepted and then achieved.

3. Whilst the Council has identified savings of some £1.4m for 2023/24, it is also incurring additional expenditure and expects ongoing difficulties with some income streams e.g. Council Tax, Business Rates and rental income.

4. Temporary accommodation costs have continued to increase dramatically throughout the current year. The 2022/23 budget is currently woefully insufficient to meet the current demands and is forecast to require further additional funding of £2.3m in 2023/24 to cope with the anticipated increase in demand for services.

5. 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%.

6. 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.

7. As reported in September 2022 the Council could potentially reach the point where unallocated reserves would meet the minimum recommended level that the Council should hold (£6m) and even drop further below this threshold in future years with the very real threat of issuing a Section 114 notice if no action was undertaken around solving the Housing crisis in particular.

8. Since September 2022 the council has worked extremely hard to identify savings, but also involved experts to undertake reviews of its Housing department and its approach to tackling the Housing crisis. This has allowed thorough examination and investigation into ways in which the Council could improve its approach that has meant strategically not looking at short term solutions but multi-year options and projects, culminating in substantial savings over the medium term of up to £3m by the end of 2025/26.

9. 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, 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.

10. 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

11. The Council's strategic priorities have been reviewed for 2023/24 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.

12. 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

13. 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.

Financial Planning - Medium Term Financial Strategy

14. The Medium Term Financial Strategy update report, in September 2022, provided indicative budget forecasts for the 4 year period 2022/23 to 2025/26. These have been updated within the budget papers attached.

15. 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.

16. 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 2023/24.

(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).

(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.

A detailed review of Earmarked Reserves is planned for 2023/24 as part of a council wide approach to its financial management and to ensure that all funds are appropriately resourced moving forwards.

(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 latest report from the External Auditors based on the 2020/21 financial year highlighted some areas of improvement and many of the recommendations included in the report have already been implemented in 2022/23 with the rest set to be finalised in 2023/24.

(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.

17. 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.

Funding Allocations

18. The Local Government Finance Settlement is the annual determination of funding to local government. It was finally announced on the 19th December 2022.

19. 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.

20. The Government had previously announced as part of its Autumn statement various potential positives for local Councils and intimated that it would be supportive of the issues that Councils were facing.

21. Whilst it allows the Council to increase Council tax by up to 3%, (previously 2%) the overall funding breakdown meant that as a Council Hastings actually will revive less funding than the previous financial year by around 10% net.

	2022/23 £	2023/24 £	Change £	Change %
Revenue Support Grant	1,040,990	1,308,581	267,592	26%
Lower Tier Services Grant	174,732	148,370	-26,362	-15%
2022/23 Services Grant	263,308	-	-263,308	-100%
New Homes Bonus	158,442	16,240	-142,202	-90%
	1,637,471	**1,473,191**	**-164,280**	**-10%**

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

23. The RSG amounts to £1,308,581 in 2023/24 (£1,040,990 in 2021/22) – and represents an increase of £267,592 (26%).

24. The Council receives Lower Tier Services Grant amounting to £148,370 provided to lower tier local authorities for services such as homelessness, planning, recycling and refuse collection, and leisure services. For 2023/24 the grant amounts to a decrease of £26,362 (15%).

25. The 2022/23 Services Grant was a one-off Grant for that year and no further allowance has been provided.

26. The New Homes Bonus Scheme 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 2023/24 amounting to £16,240 is £142,202 less than the previous financial year. A funding loss of 90%.

27. 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 2023/24, like that for 2022/23, is a “one-off” with no ongoing legacy payments.

Funding from Business Rates

28. 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.

29. 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.

30. 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.

31. 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.

32. 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.

Business Rates (Non Domestic rates) - Collection Rates

33. As at the end of December 2022, the net amount due for the year amounted to £21,008,220. This is just over the £20,838,045 that was originally budgeted for.

34. Of this £21.008m, £16.335m (77.76%) had been collected by the end of December 2022. This is 13.24% more than that collected at the same stage last year. In cash terms, using these percentages, this represents £1.9m more than at the same stage as last year and £170,175 over the target.

Business Rates Income – 2023/24

35. 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.

36. 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 2023/24 (circa £6.2m).

37. The Rateable Value (RV) of business properties at the start of the 2023/24 year is forecast to be £66.4m. However, given the level of appeals, non-payments, and bad debt levels, forecasting income levels for 2023/24 and beyond remains highly challenging.

38. Multiplying the rateable value figure by the rate poundage and after charity and other reliefs the Council would collect some £23.5m in theory of which the Council share is some 40% in 2023/24 (some £9.4m). 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 £6,174,839 in 2023/24. The estimate of the business rate income collected that will be retained by the Council in 2023/24 as a result of entering into the Business rate pool amounts to £192,707. In addition, there is Section 31 money from the government which brings the total expected income from business rates to around £4.8m in total. The split between Section 31 grant monies and direct collection remains variable.

39. The Council will remain in the pooling arrangement within East Sussex for 2023/24 as there is still considered to be a significant benefit.

External funding – Benefit and Council Tax Administration Grant

40. The Benefit Administration Grant amounts to £425,209 in 2022/23 and details of the 2023/24 grant are still to be advised. Details of the Council Tax Support Administration Grant receivable in 2023/24 is awaited (£156,974 in 2021/22).

41. 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 2023/24 is awaited (£220,901 in 2022/23). This funding will be fully subscribed.

Fees and Charges (Including Car Parking)

42. 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.

43. A separate report on Fees and Charges was presented to Cabinet in December 2022, with the recommendation that fees and charges were increased broadly at 10% unless otherwise stated.

Investment and Borrowing

44. 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.

45. The Capital programme (if approved) will increase borrowing levels as outlined in the Treasury Management Strategy document (published separately as part of the agenda).

46. 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.

47. 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.

48. As part of the Medium Term Financial Strategy update report in September 2022 it was agreed that the council would bring in an external MRP expert to review the current policy and calculations used historically. That piece of work is now complete, and it has identified potential changes which if approved will significantly financially benefit the council. A separate report will be brought to Cabinet in January to request the change of policy.

Inflation

49. The 2023/24 budget has been developed in a relatively unstable macroeconomic environment with inflation at a 40 year high. This has resulted in increased cost pressures for both the council and local businesses and the council's service users.

50. In budgetary terms these pressures are being realised directly through increased unit costs for items such as energy and utilities, alongside inflation linked contractual cost

increases. In addition to the increased costs for service provision, the macroeconomic environment is also resulting in increased demand for some of our services, most notably temporary accommodation for homelessness.

Public Sector Pay Settlement and National Living Wage

51. Pay and remuneration is one of the council's biggest items of expenditure. The gross staffing budget for 2023/24 is £15.2m. The 2023/24 budget has assumed that a net £440,000 of additional resources are needed to fund increases in pay due to:

- Pay Awards - The salary increase for 2022/23 has been agreed, with the £1,925 increase backdated to April 2022. This level of increase was not allowed for when setting the annual budget for 2022/23 (the government's limits being included).
- Contractual increments (equivalent of around ½%) which have been allowed for.
- The Council remains committed to paying the accredited living wage of £10.90 per hour (for over 18's from 1 April 2022 – up from £9.90p/h the previous year.
- The budget allows for a 3% pay increase in 2023/24 (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

52. 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).

53. 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.

Council Tax Support Scheme

54. 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.

55. 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 explored by this Council in 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.

56. 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.

57. 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.

58. It is recommended that the Council reviews the affordability of the scheme during the early part of 2023/24, as significant levels of consultation and lead in times for software changes are required when amending schemes such as this

Pension Fund Contributions

59. The Employer's pension contribution rate has increased by 4.5% to 22.1% of pay (previously 17.6%), following the triennial revaluation of the pension fund. The additional cost of this increase is approximately £466,000 per annum. However along with the increase in the percentage payable, the additional lump sum payment amount of £476,000 has been removed leading to an overall saving of approximately £10,000. The actuaries forecast the total amount payable for 2023/24 to be £1.98m.

Staffing, Information Technology and Property

60. 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.

61. 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

62. 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.

63. Regional and European funding successes have been very significant for Hastings in the past. 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.

64. **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.

65. **Levelling Up Fund** - The government announced a levelling up Fund worth £4 billion for England for investments in infrastructure. The council was unable to bid in rounds 1 and 2 due to capacity and the requirement for the level of matched contribution needed, however plans are being developed for a bid to round 3 if, and when this is initiated by the government.

66. **UK Shared Prosperity Fund (UKSPF)** - 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. The council was allocated a significantly lower than anticipated amount of funding £1m over 3 years and following the report to Cabinet in November 2022 is developing plans for how it intends to utilise these funds in a targeted area.

Revenue Outturn 2022/23

67. Since determining the budget in February 2022, the Council's budget and its limited resources have continued to be impacted by the effects of homelessness, 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.

68. The main income and expenditure variations on Direct Service Expenditure are summarised in Appendix O.

69. The additional cost pressures in respect of temporary accommodation have exceeded the £1.6m increase (£1,075,000 net) already allowed for when setting the 2022/23 budget in February 2023, and a further big increase is being projected for 2023/24.

70. The Housing and Homelessness Task Force which has been operational this financial year has been set up with the focus on reducing the expenditure in this area and looking at more financially sustainable alternatives in the future.

71. It is forecast that an additional £1.03m will need to be drawn from the General Reserve to cover the forecast overspends in 2022/23.

Capital Expenditure (2022/23)

72. There have been a number of amendments agreed to the Capital programme budget by Council since approval in February 2022. Additional monies have been allocated for Ground Maintenance Equipment, Roof refurbishment, Cliff railways, Housing acquisition and Cornwallis Street development. The revised timescales result in a shift of the Capital programme towards 2023/24 and 2024/25, with net capital expenditure expected to be £7.269m in 2022/23 rather than the £14.854 in the original budget; this reduces the borrowing requirement significantly in this financial year.

Budget 2023/24

73. The Council's Total Service Expenditure in 2023/24 is estimated at £14.79m. This compares to an estimated outturn of £17.22m for 2022/23. The Total Expenditure for the Council increases to £17.7m in 2023/24 once interest and borrowing are taken into account (£19.1m forecast outturn for 2022/23).

74. After allowing for a 2.99% increase in Council Tax and an increase in the Council tax base of 2%, the total funding to be met from Grant and the Collection Fund is estimated at £13.74m (£13.68m in 2022/23).

75. A balanced budget can be achieved with the use of £3.4m of reserves in 2022/23 This deficit being funded from the Council's Resilience and Stability Reserve (£100,000) and the General Reserve (£3.3m).

76. As part of this year's budget process reductions of £1.4m have been identified for 2023/24. These reductions have been offset by growth. Please see Appendices K and L for details.

77. 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 town.

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

79. The PIER process will continue in 2023/24 and its immediate priorities will involve reviews across a number of council activities as detailed in Appendix K.

Budget 2024/25 and beyond

80. The Local Government Settlement in December has provided funding details for 2023/24 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.

81. 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.

82. The significant savings identified as part of the PIER process and the MRP review piece of work means that potential deficits in future years could be reduced altogether by the end of 2024/25 but caution is still required when looking too far into the future as recent events have taught us.

Council Tax

83. As at the end of December 2022, the net amount due for the year amounted to £61,409,634 and £50,091,082 (81.57%) had been collected. This was 5.2% less than that collected at the same stage last year.

84. The tax base for 2023/24 has been recalculated and is some 2% higher than 2022/23 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 26,237 to 26,473(an increase worth £69,000 p.a. to HBC alone).

85. It is again open to the Council to increase Council Tax for 2023/24. One percent on the Council Tax will equate to around £35,000 of additional income for this Council on the revised tax base.

86. For 2023/24 the government have announced a shire district or borough Council can increase Council Tax by up to 2.99%, or up to and including £5, whichever is the higher. If higher than this the Council would be required to hold a referendum.

87. The figures in the appendices (Appendix M available at budget Council) show an indicative 2.99% 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).

88. Council Tax is at £281.67 p.a. (Band D – Hastings BC element) and a 2.99% increase for 2023/24 would take this to £290.09 p.a. This is a £8.42 per annum increase for a Band D property – a 16p per week increase (in respect of the Hastings Borough Council element).

Asset Sales - Capital Receipts

89. The Council has undertaken preparatory work and is now initiating a detailed strategic review of, and plan for its significant land and property assets. As a result of this work the council can determine the role assets will play in the assisting the council to achieve its objectives – be that to assist with its financial pressures and/or income generation or achieve alternative uses that support wider objectives if the council can afford to retain them.

90. 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.

91. 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.

92. 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.

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

Capital Programme & Borrowing

94. The Capital programme is detailed in Appendix D. The gross capital programme spend for 2022/23 is now estimated to be some £16.879m (Original budget £21.7m), with a net budget of £7.269m.

95. For 2023/24 there is slippage on a few schemes, including the restoration of Pelham Arcade Works and Roadway, Buckshole Reservoir, Churchfields Business Centre and Cornwallis Development in particular and the reprofiling of the timelines for others e.g. Energy (Solar).

96. 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), Industrial units (Churchfields Estate), Bexhill Road (housing).

97. The level of Disabled Facility Grant (DFG) funding for 2022/23 was £2,056,655. The capital programme will be revised as and when DFG figures for 2023/24 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 £1.9m for 2022/23 – the projected underspends are transferred to an earmarked reserve, with a risk that they may need to be repaid.

98. 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

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

100. 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.

Investment in Council Assets

101. 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.

102. 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. The council also needs to ensure it sets aside funds to meet ongoing maintenance and planned upgrades in future years.

Reserves

103. 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.

104. 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.

105. 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.

106. At 31 March 2023 the General Reserve will amount to an estimated £6.6m. The Capital Reserve has a balance of £150k which is already committed e.g. empty homes strategy. Earmarked Reserves amount to £12.6m of which a large element is not available to use on anything other than specific areas e.g. DFG grants.

107. The combined value of the General and Earmarked Reserves at 31 March 2023 are estimated at £19.4m (Excluding the business Rates Section 31 Reserve – which is effectively an accounting adjustment). The estimated reserves position is shown in more detail in Appendix H.

108. As an absolute minimum, the General Reserve is recommended to be a minimum of £6m i.e. the non-earmarked reserves. 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

109. 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.

110. The Earmarked Reserves will be subject to a full review to ensure that allocations are still relevant and adequate for the Councils Corporate priorities and plan.

Chief Finance Officer Statement – Section 25

111. 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 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.

   The continued spiralling costs of Temporary Accommodation are a real cause for concern, along with the ability of the Council to continue to make budget savings. The Council has identified significant future savings in this area which should help to offset these costs and reduce the need to call on reserves. However, there are factors outside of the council's control which could still significantly negatively impact the savings and forecasts and need to be continually monitored through the Housing and Homelessness Taskforce.

ii. 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.

iii. The Chartered Institute of Public Finance and Accountancy's (CIPFA) Local Authority Accounting Panel (LAAP) has a guidance note on Local Authority Reserves and Balances (LAAP Bulletin 77) to assist local authorities in this process. This guidance is not statutory, but compliance is recommended in CIPFA's Statement on the Role of the Finance Director in Local Government. It is best practice to follow this guidance.

iv. However, the guidance states that no case has yet been made to set a statutory minimum level of reserves, either as an absolute amount or a percentage of the council's budget. Each Local Authority should take advice from its Chief Financial Officer and base its judgement on local circumstances.

v. 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.

vi. The minimum recommended level of General reserve is currently set at £6m. Current forecasts indicate the Council will drop below this level and continue to be below this level until full savings are realised in future years.

vii. Reliance on reserves to balance the budget longer term is not a sustainable financial model. However, the projections demonstrate that the identified areas of savings and efficiencies will lead to the current downward trend improving in future years and this is will be key to securing the councils long term financial future.

viii. The delayed Senior 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 and accountability needs to be enhanced.

Climate Change

112. 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.

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

Equalities and Community Cohesiveness

114. The equalities implications of the proposals included in the draft budget and corporate plan will be set out in Appendix L which is, as yet, not completed. 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).

Risk Management

115. Numerous risks are highlighted in this report, and further comment is made below.

116. 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.

117. 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:-

(x) **Business rates** 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.

(xi) **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.

(xii) **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.

(xiii) **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.

(xiv) **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 2024/25 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 2023/24.

(xv) **Staffing Reduction Costs.** In order to make savings of the magnitude still required, the Council will need to further reconsider what activities and service levels it can provide until our financial position is stabilised.

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 2023/24 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.

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

(xvii) **Treasury Management** – Borrowing costs, investment security and level of returns. The management of the Council's debt portfolio and its assets becomes increasingly important.

(xviii) **Potential Liabilities - 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.

(xix) **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.

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

(xxi) **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.

Economic/ Financial Implications

118. Corporate priorities rightly remain ambitious, but there are insufficient resources to produce a balanced budget for 2023/24 without again relying on the significant use of reserves.

119. The financial implications in 2023/24 and beyond are detailed in the report. However, further significant action must be taken by the Council to produce a sustainable budget beyond 2023/24.

120. 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.

121. 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 contract inflation and wage settlements.

Organisational Consequences

122. The council has faced significant challenges over the last few years when it re-focussed activity to support our community through the pandemic. This re-focussing and the taking on of further new responsibilities (e.g.) payment of cost-of-living payments and support for new communities e.g. people fleeing the war in Ukraine has challenged our capacity further. The financial pressures we are facing as a result of the housing crisis have required us to reduce further the numbers of people who deliver the services the people of our town need. Whilst we have made reductions in areas where we have

vacant posts, the impact of losing these posts permanently will be keenly felt and will be evident in reduced service levels.

123. Council staff operate as one team and in order to meet the challenge facing our organisational sustainability, significant cross-council focus is being directed to achieve the objectives of the Housing and Homelessness Task Force. This may mean colleagues being diverted from their substantive role to other priorities or activities paused for the time being.

124. It is anticipated that these efforts will pay off and the council will reach a sustainable point in two / three years and can consider re-starting activities that have to be paused at the present time.

In the short term however, the council needs to achieve a further reduction in service costs to help balance our budget until the medium-term impacts of the plans to reduce the costs of temporary accommodation are realised. This will be a challenge as the council must continue to deliver those services it has a legal duty to provide, and therefore the burden of reductions will inevitably fall hardest on those areas that are discretionary, but still important to the town.

125. Councillors and officers will continue to review the council's activities and ensure we are as efficient as possible, are maximising income and retaining the best staff to deliver for residents. Where decisions are made to reduce service levels or cease activity, the council will seek to minimise the impact through redeployment, re-training, and voluntary severance.

Conclusion

126. In forming my opinion on the budget proposals put forward by Cabinet I have carefully considered the financial management arrangements and control frameworks that are in place, the underlying budget assumptions, the adequacy of the service planning process, the financial risks facing the Council and the adequacy of the councils' reserves.

127. Members are advised to have regard to this statement when approving the budget and the level of Council Tax for the financial year.

Anti-Poverty

128. 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

129. The Council has numerous projects and programmes included within the budget that seek to help and address Poverty within the borough and diverted significant resources in 2022/23 to ensure speedy allocations of government cost of living support to our residents. 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

130. The draft Corporate Plan and Budget is the subject of consultation from Friday 13 January 2023. The closing date for comments is 3 February 2023. The agenda for Budget Cabinet will have to be published before the consultation finishes, therefore comments will be submitted to Budget Cabinet which meets at 6pm on 6 February 2023. 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.

131. The full Council meets to set the budget on 15 February 2023.

Timetable of Next Steps

132. 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 13 January 2023	Consultation Closes 3 February 2023	Chief Finance Officer
Budget Cabinet		6 February 2023	Chief Finance Officer
Budget Council		15 February 2023	Chief Finance Officer

Wards Affected

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

Policy Implications

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

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

Additional Information

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

Officer to Contact

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Budget - DRAFT

2023-2024

Financial Services
www.hastings.gov.uk

Appendices to Budget Report

Contents:

REVENUE BUDGET SUMMARY

Appendix A

	2022-2023 Original Budget £	**2022-2023 Forecast Outturn £**	**2023-2024 Estimate Budget £**
Direct Service Expenditure	13,231,580	**17,217,677**	**14,491,575**
Contingency Provision (incl. R&R Reserve)	300,000	**0**	**300,000**
Total Service Expenditure	13,531,580	**17,217,677**	**14,791,575**
Provision for the Repayment of Principal (MRP)	1,741,200	**920,000**	**995,000**
Net Interest (Earnings) / Payments	1,579,758	**985,000**	**1,933,332**
Total Expenditure	16,852,538	**19,122,677**	**17,719,907**
Amount to be met from Grant and Collection Fund			
Government Grant - Revenue Support Grant	(1,040,990)	**(1,040,990)**	**(1,308,581)**
Lower Tier Services Grant	(174,732)	**(174,732)**	**(148,370)**
2022/23 Services Grant	(263,308)	**(263,308)**	**0**
New Homes Bonus	(158,442)	**(158,442)**	**(16,240)**
NNDR (Surplus) / Deficit	379,224	**379,224**	**1,216,616**
Council Tax (Surplus) / Deficit	(48,151)	**(48,151)**	**(206,799)**
Housing Benefit Administration Grant	(425,209)	**(425,209)**	**(425,209)**
Council Tax Support Admin Grant	(156,974)	**(156,974)**	**(156,974)**
Business Rates	(2,020,635)	**(2,302,577)**	**(2,829,893)**
Business Rates - Pooling	(117,950)	**0**	**(192,707)**
Business Rates - Section 31 Grant	(2,265,513)	**(1,788,384)**	**(1,988,110)**
Council Tax	(7,390,176)	**(7,390,176)**	**(7,679,640)**
Total Funding	(13,682,855)	**(13,369,718)**	**(13,735,906)**
Funding deficit / (surplus)	3,169,683	**5,752,959**	**3,984,001**
Reserve movements			
Contributions to Reserves (e.g. R&R)	689,000	**689,000**	**689,000**
Use of Earmarked Reserves (see Appendix H)	(1,528,500)	**(3,082,010)**	**(1,916,300)**
Net Contribution to/(from) Reserves	(839,500)	**(2,393,010)**	**(1,227,300)**
Use of Reserves to fund Deficit			
Transfer to/(from) General Reserve	(2,230,183)	**(3,259,949)**	**(1,856,701)**
Transfer to/(from)Specific Reserve	(100,000)	**(100,000)**	**(900,000)**
Total	(2,330,183)	**(3,359,949)**	**(2,756,701)**
General Fund Movement	0	**0**	**0**
Net Council Expenditure	16,013,038	**16,729,667**	**16,492,607**

COUNCIL TAX

2022-2023 Total £	2022-2023 Band D £		2023-2024 Total £	2023-2024 Band D £	Increase %
13,682,855		Budget requirement	13,735,906		
(1,040,990)		Revenue Support Grant	(1,308,581)		
(156,974)		Council Tax Administration Support Grant	(156,974)		
(158,442)		New Homes Bonus	(16,240)		
331,073		Collection Fund (Surplus) / Deficit	1,009,817		
(3,246,711)		Other non-ring fenced grants	(2,754,395)		
(2,020,635)		Retained Business Rates	(2,829,893)		
7,390,176	**281.67**	**Borough Council Tax**	**7,679,640**	**290.09**	2.99%
42,329,202	1,613.34	County Council Precept	43,987,476	1,661.58	2.99%
2,607,171	99.37	Fire Authority Precept	2,683,002	101.35	1.99%
5,900,964	224.91	Police and Crime Commissioner Precept	6,072,597	229.39	1.99%
58,227,512	**2,219.29**	**Total Council Tax**	**60,422,714**	**2,282.40**	2.84%
	26,237	**Council Taxbase at Band D**		**26,473**	

TABLE OF COUNCIL TAX BANDS AND AMOUNTS :

2022-2023 Total Amount	*Band and Value*	*Relationship to Band D*	*East Sussex County Council*	*Police and Crime Commissioner*	*East Sussex Fire Authority*	*Hastings Borough Council*	*2023-2024 Total Amount*
£1,479.53	A - up to £40,000	6 / 9	**£1,107.72**	**£152.92**	**£67.56**	**£193.39**	**£1,521.59**
£1,726.12	B - £40,001 up to £52,000	7 / 9	**£1,292.34**	**£178.41**	**£78.83**	**£225.63**	**£1,775.21**
£1,972.70	C - £52,001 up to £68,000	8 / 9	**£1,476.96**	**£203.90**	**£90.09**	**£257.86**	**£2,028.81**
£2,219.29	D - £68,001 up to £88,000	-	**£1,661.58**	**£229.39**	**£101.35**	**£290.09**	**£2,282.40**
£2,712.46	E - £88,001 up to £120,000	11 / 9	**£2,030.82**	**£280.36**	**£123.87**	**£354.55**	**£2,789.60**
£3,205.64	F - £120,001 up to £160,000	13 / 9	**£2,400.06**	**£331.33**	**£146.39**	**£419.02**	**£3,296.80**
£3,698.82	G - £160,001 up to £320,000	15 / 9	**£2,769.30**	**£382.31**	**£168.91**	**£483.48**	**£3,804.00**
£4,438.58	H - over £320,000	18 / 9	**£3,323.16**	**£458.77**	**£202.69**	**£580.18**	**£4,564.80**
43,842	Number of properties on Council Tax Banding List						44,024
£26,237	Each £1 of Council Tax at Band D will raise						£26,473

1. BUSINESS RATES BASELINE

	Budget 2022-23 Amount £	Revised Budget 2022-23 Amount £	Budget 2023-24 Amount £
NNDR Income			
Gross rateable value	62,828,825	62,100,371	66,424,683
Small business multiplier	49.9	49.9	49.9
Gross rates receivable	31,351,584	30,988,085	33,145,917
Reliefs and allowances for bad debt and appeals	(11,414,083)	(10,935,481)	(9,520,089)
Net rates less losses	19,937,501	20,052,604	23,625,828
Cost of Collection allowance	(127,653)	(127,653)	(150,464)
NNDR Income	19,809,848	19,924,951	23,475,364
Hastings BC Share (40%)	**7,923,939**	**7,969,981**	**9,390,146**
Tariff Calculation			
Business Rates Baseline for HBC	9,486,922	9,486,922	10,137,291
DCLG calculation of baseline funding level	3,819,518	3,819,518	3,962,452
Adjustment for Revised budget	0	0	0
Tariff	**5,667,404**	**5,667,404**	**6,174,839**
Levy calculation			
Total income	7,923,939	7,969,981	9,390,146
Add 50% small business relief	1,112,800	1,121,931	1,145,131
Add reliefs attracting Section 31 grant	921,981	376,791	372,841
Adjusted income	9,958,720	9,468,703	10,908,118
Less Tariff	(5,667,404)	(5,667,404)	(6,174,839)
	4,291,316	3,801,299	4,733,279
Baseline funding level	(3,819,518)	(3,819,518)	(3,962,452)
Growth	471,798	(18,219)	770,827
Levy payable (50%)	**235,899**	**0**	**385,414**
Pooling income (50% of levy / additional pool share)	**(117,950)**	**0**	**(192,707)**
Safety Net calculation			
Baseline funding level	3,819,518	3,819,518	3,962,452
Threshold (92.5% of baseline funding level)	3,533,054	3,533,054	3,665,268
Adjusted income less Tariff	4,291,316	3,801,299	4,733,279
Difference	758,262	268,245	1,068,011
Safety Net receivable	**0**	**0**	**0**
Business Rates Collection			
Business Rates precept	7,923,939	7,969,981	9,390,146
Tariff	(5,667,404)	(5,667,404)	(6,174,839)
Levy	(235,899)	0	(385,414)
Safety Net	0	0	0
Net Business Rates collection	**2,020,636**	**2,302,577**	**2,829,893**
Section 31 income	**2,265,513**	**1,788,384**	**1,988,110**

2. COLLECTION FUND

	2022-23 Original Budget £	2022-23 Revised Budget £	2023-24 Estimate Budget £
Council Tax (Surplus) / Deficit	(48,151)	(48,151)	(206,799)
Non Domestic Rates (Surplus) / Deficit	5,970,059	5,970,059	1,216,616
Total Collection Fund (Surplus) / Deficit	**5,921,908**	**5,921,908**	**1,009,817**

INTEREST, MINIMUM REVENUE PROVISION & CONTRIBUTIONS TO RESERVES

Appendix B

	2022-23 Original Budget £000's	2022-23 Forecast Outturn £000's	2023-24 Original Budget £000's
Net Interest Payments	**1,580**	**985**	**1,933**
Contributions to Reserves	**689**	**689**	**689**
Minimum Revenue Provision (Statutory provision for principal repayment arising from borrowing requirement)	**1,723**	**920**	**995**
Total	**3,992**	**2,594**	**3,617**

Interest	**£000's**	**£000's**	**£000's**
Gross Interest Payable	**2,137**	**1,847**	**2,811**
Gross Interest Received	**(503)**	**(808)**	**(824)**
Income and expenditure in relation to investment properties	**(64)**	**(64)**	**(64)**
Fees	**10**	**10**	**10**
	1,580	**985**	**1,933**

Contributions to Reserves	**£000's**	**£000's**	**£000's**
IT Reserve	**189**	**189**	**189**
R&R General	**420**	**420**	**420**
R&R White Rock Theatre	**80**	**80**	**80**
	689	**689**	**689**
Total Contributions To Reserves	**689**	**689**	**689**

SUMMARISED FULL BUDGET VARIATION ANALYSIS **Appendix C**

	2023/24 Budget	
	£	£
2022/23 Budget Surplus / (Deficit)		(2,330,183)
Growth Items		
Pay Inflation	(440,000)	
Homelessness	(2,300,610)	
External Audit Costs	(78,600)	
PIER Growth - See Appendix K	(255,750)	
Development Control increase in 2.0 FTE	(74,000)	
R&R Reserve funded items	(214,600)	
Contract Indexation	(192,400)	
		(3,555,960)
Savings		
PIER Savings - See Appendix K	1,448,300	
Income from Capital Programme	500,000	
		1,948,300
Other changes		
Fees and Charges		166,330
Decrease in MRP		746,200
Additional interest costs		(353,575)
Government Grant - Revenue Support Grant		267,592
Lower Tier Services Grant		(26,362)
New Homes Bonus		(142,202)
NNDR Reduced Deficit		(837,392)
Council Tax (Surplus) / Deficit		158,648
Business Rates		809,257
Business Rates - Pooling		74,758
Business Rates - Section 31 Grant		(277,403)
Council Tax Income Change		289,464
Factory Units and Other Properties Rental income		184,000
White Rock Theatre		100,300
No Local Election 2023-24		75,000
Local Plan		69,800
(Increase) / Decrease Other Net Changes		(123,273)
Unfunded Deficit		(2,756,701)
Use of Reserves to fund deficit		
Transfer from Transition Reserve	0	
Transfer from General Reserve	1,856,701	
Transfer to/(from)Specific Reserve	900,000	
		2,756,701
Balance		0

Appendix D

Capital Programme

Scheme Cost Code	Scheme Ref.	Scheme		Class	Total Gross Cost £'000	Profile of Council Net Cost Total Net Cost £'000	Before 31.3.22 £'000	2022/23 £'000	Adjusted 2022/23 £'000	2023/24 £'000	2024/25 £,000	2025/26 £,000	Subsequent Years £'000
71224	CR-16	New ERP system	*	c	1,017	538	538	0	0	0	0	0	0
71227	H07	Private Sector Renewal Support	*	c	40	0	0	0	0	0	0	0	0
71228	H08	Disabled Facilities Grant	*	c	14,914	0	0	0	0	0	0	0	0
71229	H15	Empty Homes Strategy - CPO	*	c	100	100	100	50	0	0	0	0	0
71231	RP04	Restoration of Pelham Crescent/ Pelham Arcade		c	1,039	436	296	33	0	100	40	0	0
71232	RP16	Road at Pelham Arcade	*	c	1,416	465	11	200	234	20	200	0	0
71240	RP11	Groyne Refurbishment	*	c	105	105	0	0	0	35	35	35	0
71241	ES35	Work on Harbour Arm and New Groynes	*	c	2,965	0	0	0	0	0	0	0	0
71242	ES36	Further Sea Defence works	*	c	150	0	0	0	0	0	0	0	0
71244	RP09	Public Realm	*	c	194	88	88	0	0	0	0	0	0
71248	ES32	Country Park - Interpretive Centre	*	c	1,149	444	444	0	0	0	0	0	0
71249	ES37	Playgrounds Upgrade Programme		c	305	205	122	38	83	0	0	0	0
71253	CR-19	Conversion of 12/13 York Buildings	*	c	1,011	1,011	921	0	16	74	0	0	0
71254	OS 28	Hastings Housing Company	*	c	5,428	5,428	5,428	0	0	0	0	0	0
71255	OS 26	DSO - Waste and Cleansing service - Vehicles		c	771	771	771	0	0	0	0	0	0
71256	OS06	Energy - Solar Panels		c	1,700	1,700	62	538	638	500	500	0	0
71258	OS4	Buckshole Reservoir		c	1,253	1,253	422	666	831	0	0	0	0
71259	CR-22	Priory Meadow Contribution to Capital Works	*	c	700	700	162	250	250	288	0	0	0
71261	CR-32	Development of 311-323 Bexhill Rd (Aldi & Others)	*	c	9,389	9,389	9,389	0	0	0	0	0	0
71265	OS12	Priory Street Multi Storey Car Park	*	c	1,548	1,545	145	0	0	0	0	0	1,400
71266	OS-05	Purchase of Temporary Homelessness Accommodation	*	c	5,703	5,703	5,703	0	0	0	0	0	0
71267	OS07	Energy Generation - Unallocated	*	c	4,300	4,300	0	0	0	2,300	2,000	0	0
71268	OS 27	DSO Waste and Cleansing service - Depot Works & Equipment	*	c	136	136	136	0	0	0	0	0	0
71271	OS13	Lower Bexhill Road	*	c	6,993	93	93	0	0	0	0	0	0
71272	CR-26	Churchfields Business Centre		c	4,500	2,950	131	2,195	2,819	0	0	0	0
71273	CR-27	Development / Furbishment of Lacuna Place		c	9,612	9,612	9,471	141	141	0	0	0	0
71274	CR-28	London Rd & Shepherd St		c	1,311	1,311	1,311	0	0	0	0	0	0
71275	CR-29	Cornwallis Street Development		c	9,000	9,000	320	6,835	280	8,400	0	0	0
71276	CR-30	Harold Place Restaurant Devt		c	89	89	59	1,613	30	0	0	0	0
71278	OS14	Electric Vehicles		c	13	13	13	0	0	0	0	0	0
71279	OS15	Electric Vehicle Infrastructure		c	50	46	46	0	0	0	0	0	0
71280	OS16	Priory Street Works		c	140	140	99	0	41	0	0	0	0
71281	CR-33	Castleham Car Park resurfacing		c	22	5	5	0	0	0	0	0	0
71282	OS29	Towns Fund Capital (2020/21 Accelerated scheme)		c	1,000	0	0	0	0	0	0	0	0

Appendix D

Capital Programme

Scheme Cost Code	Scheme Ref.	Scheme	Class	Total Gross Cost £'000	Profile of Council Net Cost: Total Net Cost £'000	Before 31.3.22 £'000	2022/23 £'000	Adjusted 2022/23 £'000	2023/24 £'000	2024/25 £,000	2025/26 £,000	Subsequent Years £'000
71284	OS-30	Next Steps Accommodation Pathway	c	1,855	426	0	0	426	0	0	0	0
71285	CR-34	Castleham Industrial Units	c	325	325	0	140	325	0	0	0	0
71288	OS31	Bexhill Road South (Housing & Car Park)	c	3,575	3,575	0	1,075	1,075	2,500	0	0	0
71289	OS32	Mayfield E (Housing)	c	8,000	8,000	0	1,000	0	4,500	3,500	0	0
71290	OS33	MUGA Refurbishments	c	80	80	0	80	80	0	0	0	0
71291	OS34	TFC - Enterprise & employment infrastructure	c	117	0	0	0	0	0	0	0	0
71293	OS35	TFC - Hastings Castle world heritage destination	c	111	0	0	0	0	0	0	0	0
71294	OS36	TFC - Town to sea creative quarter	c	959	0	0	0	0	0	0	0	0
71295	OS37	TFC - Town centre core	c	737	0	0	0	0	0	0	0	0
71296	OS38	TFC - Town centre public realm & green connections	c	66	0	0	0	0	0	0	0	0
71297	OS39	TFC - Town living	c	39	0	0	0	0	0	0	0	0
71299	OS40	RSI Mobile Health Unit	c	44	0	0	0	0	0	0	0	0
New	OS49	Grounds Maintenance Equipment	n	626	626	0	0	0	626	0	0	0
New	OS50	Roof refurbishment Programme	n	1,700	1,700	0	0	0	700	500	500	0
New	OS58	Cliff Railways	n	1,000	1,000	0	0	0	1,000	0	0	0
New	OS65	Housing Acquisition - Temporary accommodation	n	11,865	9,492	0	0	0	4,746	4,746	0	0
				119,162	**82,799**	**36,285**	**14,854**	**7,269**	**25,789**	**11,521**	**535**	**1,400**
		Schemes Already Committed	c	103,971	69,981	36,285	14,854	7,269	18,717	6,275	35	1,400
		Schemes Uncommitted	u	0	0	0	0	0	0	0	0	0
		New Schemes	n	15,191	12,818	0	0	0	7,072	5,246	500	0
		No further approval required	*									
	Total Capital Expenditure			**119,162**	**82,799**	**36,285**	**14,854**	**7,269**	**25,789**	**11,521**	**535**	**1,400**

Scheme Ref	Cost Code		Description	Total Budget £'000	Before 31.3.22 £'000	Carry Forwards / Adjs £'000	Original Budget 22/23 £'000	2022/23 Spend to date	Revised 22/23 £'000	23/24 £'000	24/25 £'000	25/26 £'000	Subsequent Years £'000
CR-16	71224	**New ERP system**											
		Funding Source	Purchase and development of new Enterprise Resource Planning system										
		Council		538	538	0	0	0	0	0	0	0	0
		Other		479	479	0	0	0	0	0	0	0	0
		Total Funding		1,017	1,017	0	0	0	0	0	0	0	0
H07	71227	**Private Sector Renewal Support**											
		Funding Source	Property grants to bring conditions up to minimum standards. Regional Housing Board Grant+ LEP funding of £46K. Received £52k repayable renovation grant for 30 Park View										
		Council		0	0	0	0	0	0	0	0	0	0
		Other		40	34	6	0	6	6	0	0	0	0
		Total Funding		40	34	6	0	6	6	0	0	0	0
H08	71228	**Disabled Facilities Grant**	Ring Fenced Scheme so the Budget will be adjusted to the actual spend at the year end & will be c/f into the New year - as such there will be no variance at the end of the F/Y.										
		Funding Source											
		Council		0	0	0	0	0	0	0	0	0	0
		Other		14,914	4,759	-125	2,056	743	1,931	2,056	2,056	2,056	2,056
		Total Funding		14,914	4,759	-125	2,056	743	1,931	2,056	2,056	2,056	2,056
H15	71229	**Empty Homes Strategy - CPO**											
		Funding Source	Rolling programme of purchases and disposals										
		Council		100	100	-50	50	0	0	0	0	0	0
		Other		0	0	0	0	0	0	0	0	0	0
		Total Funding		100	100	-50	50	0	0	0	0	0	0
RP04	71231	**Restoration Pelham Crescent/ Pelham Arcade**	The final phases of the restoration of the timber and glazed roof lantern and historic frontages to Pelham Arcade. The last substantial unit at 9-11 Pelham Arcade is now coming forward for a restoration grant. The remaining small units can be swept up in the following years to complete the scheme.										
		Funding Source											
		Council		436	296	-33	33	0	0	100	40	0	0
		Other		603	293	0	0	0	0	250	60	0	0
		Total Funding		1,039	589	-33	33	0	0	350	100	0	0
RP16	71232	**Road at Pelham Arcade**											
		Funding Source	Road above Pelham Arcade - Freeholder Contributions & Historic England										
		Council		465	11	34	200	0	234	20	200	0	0
		Other		951	42	8	361	0	369	40	500	0	0
		Total Funding		1,416	53	42	561	0	603	60	700	0	0
RP11	71240	**Groyne Refurbishment**											
		Funding Source											
		Council	To maintain Beach and Groynes	105	0	0	0		0	35	35	35	0
		Other		0	0	0	0		0	0	0	0	0
		Total Funding		105	0	0	0	0	0	35	35	35	0
ES35	71241	**Work on Harbour Arm and New Groynes**	Coastal Protection – FDGIA Funding for sea defence works. 10/10/2022 - Any underspend will need to be c/f to 23/24 as this budget is ring-fenced flood defence in aid funding. Contribution from DEFRA/EA										
		Funding Source											
		Council		0	0	0	0	0	0	0	0	0	0
		Other		2,965	2,699	1	265	64	266	0	0	0	0
		Total Funding		2,965	2,699	1	265	64	266	0	0	0	0

Scheme Ref	Cost Code		Description	Total Budget £'000	Before 31.3.22 £'000	Carry Forwards / Adjs £'000	Original Budget 22/23 £'000	2022/23 Spend to date	Revised 22/23 £'000	23/24 £'000	24/25 £'000	25/26 £'000	Subsequent Years £'000
ES36	71242	**Further Sea Defence works**	Hastings Pier to South West Outfall (Contribution from DEFRA). 10/10/22 - Expect to spend the budget in the current f/y but any underspend at the end of the year will need to be c/f. - DEFRA/EA										
		Funding Source											
		Council		0	0	0	0	0	0	0	0	0	0
		Other		150	116	0	34	2	34	0	0	0	0
		Total Funding		150	116	0	34	2	34	0	0	0	0
RP09	71244	**Public Realm**	Improvement & Refurbishment of public realm assets - Coastal Communities Fund revenue										
		Funding Source											
		Council		88	88	0	0	0	0	0	0	0	0
		Other		106	106	0	0	0	0	0	0	0	0
		Total Funding		194	194	0	0	0	0	0	0	0	0
ES32	71248	**Country Park - Interpretive Centre**	Provision of a new Interpretive Centre. Council funding 40%, European Funding 60%										
		Funding Source											
		Council		444	444	0	0	0	0	0	0	0	0
		Other		705	705	0	0	0	0	0	0	0	0
		Total Funding		1,149	1,149	0	0	0	0	0	0	0	0
ES37	71249	**Playgrounds Upgrade Programme**	Hare Way, Mare Bay, Highwater View, Bexhill Road and other play spaces contribution to upgrades. S106 & Capital Receipts. Future years includes Youth Centre?										
		Funding Source											
		Council		205	122	45	38	32	83	0	0	0	0
		Other		100	100	0	0	0	0	0	0	0	0
		Total Funding		305	222	45	38	32	83	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	921	-206	0	16	16	74	0	0	0
		Other		0	0	0	0	0	0	0	0	0	0
		Total Funding		1,011	921	-206	0	16	16	74	0	0	0
OS 28	71254	**Hastings Housing Company**											
		Funding Source											
		Council		5,428	5,428	0	0	0	0	0	0	0	0
		Other		0	0	0	0	0	0	0	0	0	0
		Total Funding		5,428	5,428	0	0	0	0	0	0	0	0
OS 26	71255	**DSO - Waste and Cleansing service - Vehicles**	Waste & Cleansing Vehicles										
		Funding Source											
		Council		771	771	0	0	0	0	0	0	0	0
		Other		0	0	0	0	0	0	0	0	0	0
		Total Funding		771	771	0	0	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	100	538	0	638	500	500	0	0
		Other		0	0	0	0	0	0	0	0	0	0
		Total Funding		1,700	62	100	538	0	638	500	500	0	0
OS4	71258	**Buckshole Reservoir**	**Statutory Protection Works:** Spillway, drawdown works, signage & Contract Works										
		Funding Source											
		Council		1,253	422	165	666	869	831	0	0	0	0
		Other		0	0	0	0	0	0	0	0	0	0
		Total Funding		1,253	422	165	666	869	831	0	0	0	0

Scheme Ref	Cost Code		Description	Total Budget £'000	Before 31.3.22 £'000	Carry Forwards / Adjs £'000	Original Budget 22/23 £'000	2022/23 Spend to date	Revised 22/23 £'000	23/24 £'000	24/25 £'000	25/26 £'000	Subsequent Years £'000
CR-22	71259	**Priory Meadow Contribution to Capital Works**											
		Funding Source	Contribution to ensure continuing rental income										
		Council		700	162	0	250	0	250	288	0	0	0
		Other		0	0	0	0	0	0	0	0	0	0
		Total Funding		700	162	0	250	0	0	288	0	0	0
CR-32	71261	**Development of 311-323 Bexhill Rd (Aldi & Others)**											
		Funding Source	Acquisition of Commercial Property - 311-323 Bexhill Road (Aldi & Others)										
		Council		9,389	9,389	0	0	0	0	0	0	0	0
		Other		0	0	0	0	0	0	0	0	0	0
		Total Funding		9,389	9,389	0	0	0	0	0	0	0	0
OS12	71265	**Priory Street Multi Storey Car Park**											
		Funding Source											
		Council	Car Park Improvements - Concrete Repairs	1,545	145	0	0	0	0	0	0	0	1,400
		Other		3	3	0	0	0	0	0	0	0	0
		Total Funding		1,548	148	0	0	0	0	0	0	0	1,400
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	0	0
		Other		0	0	0	0	0	0	0	0	0	0
		Total Funding		5,703	5,703	0	0	0	0	0	0	0	0
OS07	71267	**Energy Generation - Unallocated**											0
		Funding Source											
		Council	Future Green Energy Projects	4,300	0	0	0	0	0	2,300	2,000	0	0
		Other		0	0	0	0	0	0	0	0	0	0
		Total Funding		4,300	0	0	0	0	0	2,300	2,000	0	0
OS 27	71268	**DSO Waste and Cleansing service - Depot Works & Equipment**											
		Funding Source	DSO Waste and Cleansing service - Depot Works & Equipment										
		Council		136	136	0	0	0	0	0	0	0	0
		Other		0	0	0	0	0	0	0	0	0	0
		Total Funding		136	136	0	0	0	0	0	0	0	0
OS13	71271	**Lower Bexhill Road**											
		Funding Source	Housing Development (Homes England Capital Grant - Funding up to £6.9m)										
		Council		93	93	0	0	0	0	0	0	0	0
		Other		6,900	1,818	21	3,061	1	3,082	2,000	0	0	0
		Total Funding		6,993	1,911	21	3,061	1	3,082	2,000	0	0	0
CR-26	71272	**Churchfields Business Centre**											
		Funding Source	Sidney Little road Business Incubator Hub. LGF funding £500k & CHART £300k & Towns Fund £750k										
		Council		2,950	131	624	2,195	2,480	2,819	0	0	0	0
		Other		1,550	989	-554	1,115	561	561	0	0	0	0
		Total Funding		4,500	1,120	70	3,310	3,041	3,380	0	0	0	0

Scheme Ref	Cost Code		Description	Total Budget £'000	Before 31.3.22 £'000	Carry Forwards / Adjs £'000	Original Budget 22/23 £'000	2022/23 Spend to date	Revised 22/23 £'000	23/24 £'000	24/25 £'000	25/26 £'000	Subsequent Years £'000
CR-27	71273	**Development / Furbishment of Lacuna Place**											
		Funding Source	Office building with ground floor retail accommodation totalling 39,696 Sq.ft.										
		Council		9,612	9,471	0	141	27	141	0	0	0	0
		Other		0	0	0	0	0	0	0	0	0	0
		Total Funding		9,612	9,471	0	141	27	0	0	0	0	0
CR-28	71274	**London Rd & Shepherd St**											
		Funding Source	Purchase of 20 to 28 (even) London Road and Land at 35 Shepherd St, Hastings, St Leonards-on-Sea.										
		Council		1,311	1,311	0	0	0	0	0	0	0	0
		Other		0	0	0	0	0	0	0	0	0	0
		Total Funding		1,311	1,311	0	0	0	0	0	0	0	0
CR-29	71275	**Cornwallis Street Development**											
		Funding Source											
		Council	Redevelopment of Cornwallis Street for Hotel	9,000	320	-6,555	6,835	214	280	8,400	0	0	0
		Other		0	0		0	0	0	0	0	0	0
		Total Funding		9,000	320	-6,555	6,835	214	0	8,400	0	0	0
CR-30	71276	**Harold Place Restaurant Devt**											
		Funding Source	Redevelopment of Harold Place for Restaurant use - This project has been aborted and any outstanding fees to be										
		Council		89	59	-1,583	1,613	9	30	0	0	0	0
		Other		0	0	0	0	0	0	0	0	0	0
		Total Funding		89	59	-1,583	1,613	9	0	0	0	0	0
OS14	71278	**Electric Vehicles**											
		Funding Source											
		Council - Vehicles expected to be leased	Acquisition of Electric Vehicles	13	13	0	0	1	0	0	0	0	0
		Other		0	0	0	0	0	0	0	0	0	0
		Total Funding		13	13	0	0	1	0	0	0	0	0
OS15	71279	**Electric Vehicle Infrastructure**											
		Funding Source	Electric Vehicle Charging points, Load loggers, remedial works & EV points										
		Council		46	46	0	0	1	0	0	0	0	0
		Other - Capital receipts		4	4	0	0	0	0	0	0	0	0
		Total Funding		50	50	0	0	1	0	0	0	0	0
OS16	71280	**Priory Street Works**											
		Funding Source	LED Lighting replacement, rewiring & automated gate control										
		Council		140	99	41	0	0	41	0	0	0	0
		Other		0	0	0	0	0	0	0	0	0	0
		Total Funding		140	99	41	0	0	41	0	0	0	0
CR-33	71281	**Castleham Car Park resurfacing**											
		Funding Source											
		Council	Resurface Car Park	5	5	0	0	1	0	0	0	0	0
		Other		17	17	0	0	0	0	0	0	0	0
		Total Funding		22	22	0	0	1	0	0	0	0	0
OS29	71282	**Towns Fund Capital (2020/21 Accelerated scheme)**											
		Funding Source	Towns Fund Capital (Accelerated)										
		Council		0	0	0	0	0	0	0	0	0	0
		Other		1,000	1,000	0	0	0	0	0	0	0	0
		Total Funding		1,000	1,000	0	0	0	0	0	0	0	0

Capital Programme **Appendix D (continued)**

Scheme Ref	Cost Code		Description	Total Budget £'000	Before 31.3.22 £'000	Carry Forwards / Adjs £'000	Original Budget 22/23 £'000	2022/23 Spend to date	Revised 22/23 £'000	23/24 £'000	24/25 £'000	25/26 £'000	Subsequent Years £'000
OS-30	71284	**Next Steps Accommodation Pathway**											
		Funding Source											
		Council	Next Steps Accommodation Pathway	426	0	426	0	0	426	0	0	0	0
		Government Grant		1,429	141	1,288	0	25	1,288	0	0	0	0
		Total Funding		1,855	141	1,714	0	25	1,714	0	0	0	0
CR-34	71285	**Castleham Industrial Units**											
		Funding Source	Over-Roofing Units 6,7,8 & 9/10 - 5/10/22 Budget increased to £325k. Approved at Cabinet 03/10/22										
		Council		325	0	185	140	0	325	0	0	0	0
		Other		0	0	0	0	0	0	0	0	0	0
		Total Funding		325	0	185	140	0	325	0	0	0	0
OS31	71288	**Bexhill Road South (Housing & Car Park)**											
		Funding Source											
		Council	Development of 16 plus affordable units & Car Park refurbishment	3,575	0	0	1,075	0	1,075	2,500	0	0	0
		Other		0	0	0	0	0	0	0	0	0	0
		Total Funding		3,575	0	0	1,075	0	1,075	2,500	0	0	0
OS32	71289	**Mayfield E (Housing)**											
		Funding Source											
		Council	Development of 38 affordable Units	8,000	0	-1,000	1,000	0	0	4,500	3,500	0	0
		Other		0	0	0	0	0	0	0	0	0	0
		Total Funding		8,000	0	-1,000	1,000	0	0	4,500	3,500	0	0
OS33	71290	**MUGA Refurbishments**											
		Funding Source											
		Council	2 Refurbishments - Alexandra Pk plus one other (External funding also being sought)	80	0	0	80	37	80	0	0	0	0
		Other		0	0	0	0	0	0	0	0	0	0
		Total Funding		80	0	0	80	37	80	0	0	0	0
OS34	71291	**TFC - Enterprise & employment infrastructure**											
		Funding Source	Towns Fund - Enterprise & Infrastructure										
		Council		0	0	0	0	0	0	0	0	0	0
		Other		117	0	117	0	117	117	0	0	0	0
		Total Funding		117	0	117	0	117	117	0	0	0	0
OS35	71293	**TFC - Hastings Castle world heritage destination**											
		Funding Source	Towns Fund - Castle & Heritage										
		Council		0	0	0	0	0	0	0	0	0	0
		Other		111	0	111	0	111	111	0	0	0	0
		Total Funding		111	0	111	0	111	111	0	0	0	0
OS36	71294	**TFC - Town to sea creative quarter**											
		Funding Source											
		Council	Towns Fund - Town to Sea	0	0	0	0	0	0	0	0	0	0
		Other		959	0	959	0	959	959	0	0	0	0
		Total Funding		959	0	959	0	959	959	0	0	0	0

Scheme Ref	Cost Code		Description	Total Budget £'000	Before 31.3.22 £'000	Carry Forwards / Adjs £'000	Original Budget 22/23 £'000	2022/23 Spend to date	Revised 22/23 £'000	23/24 £'000	24/25 £'000	25/26 £'000	Subsequent Years £'000
OS37	71295	**TFC - Town centre core**											
		Funding Source											
		Council	Towns Fund - Town Centre Core	0	0	0	0	0	0	0	0	0	0
		Other		737	0	737	0	737	737	0	0	0	0
		Total Funding		737	0	737	0	737	737	0	0	0	0
OS38	71296	**TFC - Town centre public realm & green connections**											
		Funding Source	Towns Fund - Public Realm & Green Connections										
		Council		0	0	0	0	0	0	0	0	0	0
		Other		66	0	66	0	66	66	0	0	0	0
		Total Funding		66	0	66	0	66	66	0	0	0	0
OS39	71297	**TFC - Town living**											
		Funding Source											
		Council	Towns Fund - Town Living	0	0	0	0	0	0	0	0	0	0
		Other		39	0	39	0	39	39	0	0	0	0
		Total Funding		39	0	39	0	39	39	0	0	0	0
OS40	71299	**RSI Mobile Health Unit**											
		Funding Source											
		Council	RSI mobile Health Unit	0	0	0	0	0	0	0	0	0	0
		Other		44	0	44	0	44	44	0	0	0	0
		Total Funding		44	0	44	0	44	44	0	0	0	0
OS49		**Grounds Maintenance Equipment**											
		Funding Source											
		Council		626	0	0	0	0	0	626	0	0	0
		Other		0	0	0	0	0	0	0	0	0	0
		Total Funding		626	0	0	0	0	0	626	0	0	0
OS50		**Roof refurbishment Programme**											
		Funding Source											
		Council		1,700	0	0	0	0	0	700	500	500	0
		Other		0	0	0	0	0	0	0	0	0	0
		Total Funding		1,700	0	0	0	0	0	700	500	500	0
OS58		**Cliff Railways**											
		Funding Source											
		Council		1,000	0	0	0	0	0	1,000	0	0	0
		Other		0	0	0	0	0	0	0	0	0	0
		Total Funding		1,000	0	0	0	0	0	1,000	0	0	0
OS63		**Housing Acquisition Programme**											
		Funding Source	Purchase of Housing for temporary accomodation. Expecting Homes England to fund 20% of the scheme										
		Council		9,492	0	0	0	0	0	4,746	4,746	0	0
		Other		2,373	0	0	0	0	0	1,187	1,187	0	0
		Total Funding		11,865	0	0	0	0	0	5,933	5,933	0	0
		Totals											
		Council		82,799	36,285	-7,807	14,854	3,687	7,269	25,789	11,521	535	1,400
		Other		36,363	13,306	2,718	6,892	3,475	9,610	5,533	3,803	2,056	2,056
		Total Funding		119,162	49,591	-5,089	21,746	7,162	16,879	31,322	15,324	2,591	3,456

CAPITAL PROGRAMME FINANCING STATEMENT Appendix E

	2022/23 Original £'000	2022/23 Forecast £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	Total over life of Programme £'000
Spending						
Capital Spending						
Total Gross Spend	21,746	16,879	31,322	15,324	2,591	66,115
Funded By						
Capital Grants & Contributions	6,892	9,610	5,533	3,803	2,056	21,001
Reserves	0	0	0	0	0	0
S106	38	83	0	0	0	83
Capital Receipts	5,500	5,500	952	50	50	6,552
Borrowing	9,316	1,686	24,837	11,471	485	38,479
Total	**21,746**	**16,879**	**31,322**	**15,324**	**2,591**	**66,115**

Appendix F

Land and Property Disposal Programme

	Estimated Receipts £
2023/24	
Sale of Ex Council Houses	
Other	
	952,000
2024/25	
Sale of Ex Council Houses	
Other	
	50,000
2025/26	
Sale of Ex Council Houses	
Other	
	50,000
2026/27	
Sale of Ex Council Houses	
Other	
	50,000
2027/28	
Sale of Ex Council Houses	
Other	
	50,000

Revenue Budget Forward Plan

Revenue Budget Forward Plan	2022-23 Projection £000's	2023-24 Projection £000's	2024-25 Projection £000's	2025-26 Projection £000's	2026-27 Projection £000's
Opening Service Expenditure		16,184	14,782	13,446	11,710
Additional Growth Items		256	(124)	0	0
Savings/Additional Income Identified		(1,448)	(1,260)	(1,535)	(1,000)
Income - re Schemes in Capital Programme		(500)	(215)	(431)	0
Direct Service Expenditure (Net)	**17,217**	**14,492**	**13,183**	**11,480**	**10,710**
Funding Commitments:-					
Reimbursement of Election Costs (bi-annually)		0	(70)	0	0
Fees and Charges		0	(367)	(587)	(734)
Other:					
Contingency Provision	0	300	300	300	300
Interest (net of Fees) & other Adjustments	985	1,933	3,009	2,994	3,103
Minimum Revenue Provision (excl. Inc Gen Adj)	920	995	1,397	1,760	1,760
Contribution to Reserves	689	689	689	689	689
Net Use of Earmarked Reserves	(3,082)	(1,916)	(1,916)	(1,916)	(1,916)
Net Council Expenditure	**16,729**	**16,493**	**16,225**	**14,721**	**13,912**
Taxbase	26,237	26,473	26,738	27,005	27,275
Council Tax	281.67	290.09	295.86	301.75	307.76
Funding					
From Collection Fund - Council Tax	(7,390)	(7,680)	(7,911)	(8,149)	(8,394)
From Collection Fund - Business Rates	(2,303)	(2,830)	(2,887)	(2,944)	(3,003)
Revenue Support Grant	(1,041)	(1,309)	(1,309)	(1,309)	(1,309)
2022/23 Services Grant	(263)	0	0	0	0
Lower Tier Services Grant	(175)	(148)	(148)	(148)	(148)
New Homes Bonus	(158)	(16)	0	0	0
Council Tax Support Admin Grant	(157)	(157)	(157)	(157)	(157)
Housing Benefit Admin Grant	(425)	(425)	(425)	(425)	(425)
NNDR (Surplus) / Deficit	379	1,217	0	0	0
NNDR Pooling	0	(193)	(193)	(193)	(193)
Business Rates Section 31 Grant	(1,788)	(1,988)	(1,500)	(1,530)	(1,561)
Council Tax - Section 31 Grant	0	0	0	0	0
Council Tax Surplus	(48)	(207)	(207)	(207)	(207)
Contribution To General Fund	**(13,369)**	**(13,736)**	**(14,736)**	**(15,062)**	**(15,397)**
Funding Shortfall / (Surplus)	**3,360**	**2,757**	**1,489**	**(342)**	**(1,485)**
(Use of) / Trf to General Reserve	(3,260)	(1,857)	(1,489)	342	1,485
Use of Resilience and Stability Reserve	(100)	(900)	0	0	0
Net Funding Shortfall / (Surplus)	**0**	**0**	**0**	**0**	**0**
General Reserve Balance (31st March)	6,438	4,581	3,092	3,434	4,919

	2022/23				2023/24		
	Balance at 1 April 2022 £'000	Income & Transfers £'000	Expenditure & Transfers £'000	**Balance at 31 Mar 2023 £'000**	Income & Transfers £'000	Expenditure & Transfers £'000	**Balance at 31 Mar 2024 £'000**
General Reserve	(9,698)	(161)	3,260	**(6,599)**	0	1,857	**(4,742)**
Capital Reserve	(150)	0	0	**(150)**	0	0	**(150)**
Earmarked Reserves							
Renewal and Repairs Reserve	(1,471)	(500)	1,038	**(933)**	(500)	862	**(571)**
Risk Management Reserve	(315)	0	15	**(300)**	0	15	**(285)**
Information Technology Reserve	(206)	(189)	214	**(181)**	(189)	214	**(156)**
On-Street Car Parking Surplus Reserve	(40)	0	40	**0**	0	0	**0**
Section 106 Reserve (Revenue)	(418)	0	49	**(369)**	0	54	**(315)**
DCE-Revenues Division	(394)	0	219	**(175)**	0	175	**0**
Local Authority Parks Improvement	(6)	0	6	**0**	0	0	**0**
Countryside Stewardship	(22)	0	8	**(14)**	0	8	**(6)**
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	100	**(900)**	0	900	**0**
Redundancy Reserve	(665)	0	100	**(565)**	0	225	**(340)**
Safer Hastings Partnership	(100)	0	9	**(91)**	0	0	**(91)**
Disabled Facilities Grant	(1,374)	(2,056)	2,056	**(1,374)**	(2,056)	2,056	**(1,374)**
Invest to Save and Efficiency Reserve	(127)	0	46	**(81)**	0	12	**(69)**
Carry-forward Reserve	(933)	0	933	**0**	0	0	**0**
Controlling Migration	(116)	0	116	**0**	0	0	**0**
Towns Fund	(236)	(65)	0	**(301)**	0	0	**(301)**
Selective Licensing Reserve (inc. redundancy)	(144)	0	144	**0**	0	0	**0**
Revenue Hardship Fund	(80)	0	0	**(80)**	0	80	**0**
Syrian Refugee Resettlement Programme	(17)	0	17	**0**	0	0	**0**
Housing Licensing Reserve	(390)	0	185	**(205)**	0	205	**0**
Community Housing Fund	(55)	0	43	**(12)**	0	0	**(12)**
Business Rates Section 31 Reserve	(12,352)	0	5,591	**(6,761)**	0	6,761	**0**
	(30,605)	**(2,971)**	**14,190**	**(19,386)**	**(2,745)**	**13,425**	**(8,706)**

EXPENDITURE FUNDED BY USE OF RESERVES

(expenditure & transfers) / Income & transfers	Cost Centre / Account	2022/23 Original £	2022/23 Forecast £	2023/24 Estimate £
General Reserve	Q1012			
General reserve Saving to/(Use of)		(2,230,183)	(3,259,949)	(1,856,701)
Total		(2,230,183)	(3,259,949)	(1,856,701)
Transfers between Reserves				
Selective Licensing Reserve to General Reserve	Q1042	0	(144,000)	0
Syrian Refugee Reserve to General Reserve	Q1033	0	(17,000)	0
		0	(161,000)	0
Carry Forward Reserve	Q1004			
Carried forward		0	(933,000)	0
		0	(933,000)	0
Capital Reserve	Q1017			
Various Capital Expenditure to be Financed				
CPO - Empty Homes Strategy -capital		(50,000)	0	0
		(50,000)	0	0
Disabled Facilities Grant	Q1008			
Disabled Facilities Grant - Salaries		(60,000)	(60,000)	(65,000)
Disabled Facilities Grant - Capital		(1,996,000)	(1,996,000)	(1,991,000)
		(2,056,000)	(2,056,000)	(2,056,000)
Renewal & Repairs Reserve	Q1026			
(per programme of works - Appendix J)		(547,700)	(1,037,700)	(762,300)
Contingency		(100,000)	0	(100,000)
		(647,700)	(1,037,700)	(862,300)
On-Street Car Parking Surplus Reserve	Q1003			
		0	(40,000)	0
		0	(40,000)	0
Resilience and Stability Reserve	Q1031			
		(100,000)	(100,000)	(900,000)
		(100,000)	(100,000)	(900,000)
Information Technology Reserve	Q1013			
(per programme of works - Appendix I)		(214,000)	(214,000)	(214,000)
		(214,000)	(214,000)	(214,000)
Invest to Save & Efficiency Reserve	Q1015			
Transfer to General Fund		(11,700)	(46,000)	(12,000)
Transfer to Capital Reserve		0	0	0
		(11,700)	(46,000)	(12,000)
Redundancy Reserve	Q1024			
Transfer to General Fund		(225,000)	(100,000)	(225,000)
		(225,000)	(100,000)	(225,000)
DCE-Revenues Division	Q1028			
Revenue		(72,000)	(219,000)	(175,000)
		(72,000)	(219,000)	(175,000)
Local Authority Parks Improvement	Q1043			
Revenue		0	(6,000)	0
		0	(6,000)	0
Countryside Stewardship	Q1007			
Revenue		0	(8,000)	(8,000)
		0	(8,000)	(8,000)
Monuments in Perpetuity	Q1023			
Revenue	20303	(1,000)	(1,000)	(1,000)
		(1,000)	(1,000)	(1,000)
S106 Reserve				
Capital	Q2451	0	0	0
Revenue	Q1029	(49,000)	(49,000)	(54,000)
		(49,000)	(49,000)	(54,000)

Earmarked Reserves	**Cost Centre**	**2022/23 Original £**	**2022/23 Forecast £**	**2023/24 Estimate £**
Risk Management Reserve				
Risk Management Schemes	Q1014			
	20135	(15,000)	(15,000)	(15,000)
		(15,000)	(15,000)	(15,000)
Safer Hastings partnership	Q1038			
		0	(9,000)	0
		0	(9,000)	0
Selective Licensing	Q1042			
Selective Licensing surplus / deficit	20195	0	0	0
		0	0	0
Housing Licensing Reserve	Q1036			
Housing Licensing Reserve		(172,310)	(185,310)	(205,000)
		(172,310)	(185,310)	(205,000)
Syrian Refugee Resettlement Programme	Q1033			
		0	0	0
		0	0	0
Community Housing Fund	Q1037			
Housing Administration		0	(43,000)	0
		0	(43,000)	0
Controlling Migration	Q1044			
		0	(116,000)	0
		0	(116,000)	0
Revenue Hardship Fund	Q1027			
		0	0	(80,000)
		0	0	(80,000)
Towns Fund	Q1045			
		(53,090)	65,000	0
		(53,090)	65,000	0
Business Rates Section 31 Reserve	Q2498	(5,590,835)	(5,590,835)	(6,760,835)
		(5,590,835)	(5,590,835)	(6,760,835)
Total use of earmarked and capital reserves	A	(9,257,635)	(14,189,794)	(13,424,836)
Revenue use of earmarked reserves		(4,881,452)	(8,672,845)	(8,677,135)
Transfers between Reserves		0	(161,000)	0
Capital use of earmarked reserves		(2,046,000)	(1,996,000)	(1,991,000)
General Reserve		(2,230,183)	(3,259,949)	(1,856,701)
Resilience and Stability Reserve		(100,000)	(100,000)	(900,000)
Total Expenditure & Transfers	B	(9,257,635)	(14,189,794)	(13,424,836)

INFORMATION TECHNOLOGY RESERVE **Appendix I**

	2022-23 Original £'000	2022-23 Forecast Outturn £'000	2023-24 ESTIMATE £'000	2024-25 ESTIMATE £'000	2025-26 ESTIMATE £'000
OPENING BALANCE :					
BALANCE B/FWD. AT 1 APRIL	**(203)**	**(206)**	**(181)**	**(156)**	**(131)**
EXPENDITURE :					
GOVCONNECT	9	9	9	9	9
MICROSOFT LICENSING FOR TEST ENVIRONMENT	0	0	0	0	0
RESILIENCE IMPROVEMENTS	0	0	0	0	0
ANTI VIRUS	0	0	0	0	0
KACE SYSTEMS MANAGEMENT SERVER	0	0	0	0	0
SERVICE REVIEW EFFICIENCY PROJECTS	90	90	90	90	90
PC HARDWARE AND SOFTWARE	115	115	115	115	115
MICROSOFT 365	0	0	0	0	0
SERVER OPERATING SYSTEMS UPGRADES	0	0	0	0	0
UPS UPGRADES	0	0	0	0	0
COMMVAULT UPGRADE	0	0	0	0	0
CONTRACT COMPLIANCE SYSTEM UPGRADE	0	0	0	0	0
VIRTUALISATION WARRANTY REDRESH	0	0	0	0	0
SAN WARRANTY REFRESH	0	0	0	0	0
SAN ADDITIONAL STORAGE	0	0	0	0	0
SOFTWARE ASSET MANAGEMENT	0	0	0	0	0
	214	**214**	**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	**(178)**	**(181)**	**(156)**	**(131)**	**(106)**

RENEWAL AND REPAIRS RESERVE

APPENDIX J

2021-22 Actual £		2022-23 ORIGINAL BUDGET £	2022-23 FORECAST OUTTURN £	2023-24 ESTIMATED BUDGET £
	OPENING BALANCE:			
1,628,909	BALANCE BROUGHT FORWARD	**895,500**	**1,470,883**	**933,183**
	INCOME:			
500,000	CONTRIBUTIONS TO RESERVE - GENERAL	**500,000**	**500,000**	**500,000**
500,000		**500,000**	**500,000**	**500,000**
	EXPENDITURE:			
452,026	PROGRAMMED REPAIRS AND REDECORATIONS	**222,500**	**268,100**	**243,800**
206,000	OTHER REPAIRS & RENEWALS	**325,200**	**769,600**	**518,500**
658,026	SUB TOTAL	**547,700**	**1,037,700**	**762,300**
0	PROVISION FOR UNEXPECTED ITEMS	**100,000**	**0**	**100,000**
658,026		**647,700**	**1,037,700**	**862,300**
	CLOSING BALANCE:			
1,470,883	BALANCE CARRIED FORWARD	**747,800**	**933,183**	**570,883**

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

Cost Centre	Reference	PROPERTY	DESCRIPTION OF WORK	2022-2023 ORIGINAL BUDGET £	2022-2023 FORECAST OUTTURN £	2023-2024 ESTIMATE £	2024-2025 ESTIMATE £	2025-2026 ESTIMATE £
20116	PR001	TOWN HALL	Isolated internal / external redecs & repairs. MEWP high level stonework H&S inspection	30,000	25,000	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	6,000	6,000	6,000	6,000
20118	PR051	ALL BUILDINGS - AIR CONDITIONING	AC energy efficiency certification (every 3 years)	4,000	4,000	4,000	4,000	4,000
20118	PR52	ALL BUILDINGS - ENERGY CERTIFICATION	Annual Display Energy Certs for major bldgs	1,000	300	300	300	300
20118	PR54	ALL BUILDINGS - LEGIONELLA RISK	Automated checks & monitoring inc hygiene assess	25,000	25,000	25,000	25,000	25,000
20118	PR55	ALL BUILDINGS - ELECTRICAL TESTING	routine cyclical testing & works arising	6,000	6,000	7,000	7,000	7,000
20118	PR57	ALL BUILDINGS - SAFETY ANCHORS	Annual testing of access safety anchors	2,000	3,300	3,000	3,000	3,000
20118	PR58	ALL BUILDINGS - AUTOMATIC DOORS	Annual maintenance routine	500	500	500	500	500
20131	PR037	FACTORY UNITS	External redecs/roof repairs to empty units	0	0	30,000	30,000	30,000
20132	PR041	OTHER BUILDINGS (ESTATES MISC.)	Essential upgrades/repairs.	0	0	10,000	10,000	10,000
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.	25,000	25,000	0	0	0
20303	PR013	CREMATORIUM	Internal / External redecorations. Main GF offices	0	0	5,000	5,000	5,000
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	46,000	46,000	0	0	0
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	20,000	20,000	20,000
20250	PR025	FRONT LINE	Alcoves, seating, bottle alley - repairs/redecs	9,000	9,000	9,000	9,000	9,000
20250	OR348	PROMENADE SURFACING	Further tarmac repairs to worst areas	0	50,000	30,000	30,000	30,000
20252	PR029	FISHERMENS MUSEUM	External redecs/stonework pointing	2,000	2,000	3,000	3,000	3,000
20310	PR026	SPORTS PAVILIONS	Int/ext redecs.	8,000	8,000	8,000	8,000	8,000
20310	PR044	ALEXANDRA PARK RAILINGS	Phased railing redecorations	5,000	5,000	5,000	5,000	5,000
20306	PR030	HASTINGS STATION FISHING BOAT FEATU	Survey repairs / redecs	0	0	4,000	4,000	4,000
		Total of Programmed work		**222,500**	**268,100**	**243,800**	**243,800**	**243,800**

OTHER REPAIRS AND REDECORATIONS FINANCED BY THE RENEWAL AND REPAIRS RESERVE

Cost Centre	Reference	PROPERTY	DESCRIPTION OF WORK	2022-2023 ORIGINAL BUDGET £	2022-2023 FORECAST OUTTURN £	2023-2024 ESTIMATE £	2024-2025 ESTIMATE £	2025-2026 ESTIMATE £
20245	OR247	EAST HILL LIFT LOWER STATION	Roof replacement	30,000	0	0	0	0
20249	OR250	WHITE ROCK THEATRE	General repair contributions	20,000	33,500	20,000	0	0
20249	OR251	WHITE ROCK THEATRE	Contribution to large plant / boiler replacement	0	1,000	0	0	0
20310	OR231	CLIFF REPAIR SURVEY	Biennial or Sextennial survey	15,000	23,000	0	0	0
20313	OR211	HASTINGS COUNTRY PARK - TACKLEWAY	Health & safety repairs and repointing	1,000	1,000	0	0	0
20259	OR326	INDOOR BOWLS CENTRE	Equality Act works	0	18,900	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.	5,000	0	0	0	0
20251	OR334	JOHNS PLACE MUSEUM	Essential stoneworks repairs to interior of window openings	9,000	0	5,000	4,000	0
20310	OR339	CLIFFS	Cliff Repairs arising from engineer's inspections	100,000	143,200	100,000	0	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	5,000	0	0	0	0
20245	OR347	WEST HILL LIFT - ATTENDANT'S & STORE AREAS	Works to patio waterproofing to prevent water ingress	18,000	18,000	0	0	0
20250	OR348	PROMENADE SURFACING	Further tarmac repairs to worst areas	50,000	0	0	0	0
20245	OR374	WEST HILL LIFT - ENTRANCE ROOF	Replace railings with galv. steel railings	0	5,000	0	0	0
20310	OR385	ALEXANDRA PARK	Information Shelter lower decoration	0	400	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	0	8,800	0	0	0
20245	OR405	EAST HILL CLIFF RAILWAY - UPPER STATION	Pedestrian paths resurfacing - deterioration of existing patched up surface creating trip hazards	0	10,000	0	0	0
20303	OR410	CEMETERY CHAPEL	Front window and stone reveal repairs	0	20,000	0	0	0
20313	OR411	HASTINGS COUNTRY PARK	Surface dressing to Coastguard Lane tarmac/asphalt path surfacing	0	27,700	0	0	0
20246	OR412	HASTINGS CASTLE	Curtain wall consolidation following emergency stabilisation works	0	25,000	20,000	0	0
20259	OR416	SUMMERFIELDS LEISURE CENTRE	Re-tiling of edge of pool	0	100,000	0	0	0
20310	OR422	WEST MARINA GARDENS	Timber repairs & redecorate	0	2,000	0	0	0
20310	OR426	GENSING GARDENS	Sandstone wall repairs	0	2,600	0	0	0
20313	OR430	HASTINGS COUNTRY PARK YARD	Clear historic waste	0	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	0	5,000	0	0	0
20117	OR434	MURIEL MATTERS HOUSE	Heating pipe insulation	0	8,300	0	0	0
20313	OR435	HASTINGS COUNTRY PARK PATHS - EAST COASTGUARD LANE	Reapply 'Fibredec' last laid in 2015	0	25,000	0	0	0
20117	OR436	MURIEL MATTERS HOUSE	Repairs to rear car park waterproofing	17,200	17,200	0	0	0
20250	OR439	MILLSTONE FOUNTAIN	Replace inlet grille & improve internals	0	2,000	0	0	0
20250	OR440	BOTTLE ALLEY UPPER	Railing replacement - heritage railings poor	0	25,000	0	0	0

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

Cost Centre	Reference	PROPERTY	DESCRIPTION OF WORK	2022-2023 ORIGINAL BUDGET £	2022-2023 FORECAST OUTTURN £	2023-2024 ESTIMATE £	2024-2025 ESTIMATE £	2025-2026 ESTIMATE £
20245	OR441	EAST HILL LIFT PUBLIC CONVENIENCE	Interior refit due to dampness	10,000	10,000	0	0	0
20310	OR442	GENSING GARDENS WALL	Rebuild wall in Conservation Area.	0	60,000	30,000	0	0
20310	OR443	BEXHILL EAST SPORTS PAVILION	Full roof replacement	0	34,000	0	0	0
20310	OR444	WARRIOR SQUARE GARDENS (EAST)	Major repair works	0	0	0	0	0
20310	OR445	WHITE ROCK GARDENS	Major repair works to west boundary wall	0	7,500	12,500	0	0
20310	OR446	WHITE ROCK SUN SHELTER	Repair and redecorate shelter railings	0	0	0	0	0
20287	OR447	GRAND PARADE UGCP	Concrete repairs to prom support beams	0	0	0	0	0
20148	OR448	BUS SHELTERS	Repair & Replacement Programme	15,000	18,000	15,000	0	0
20251	OR449	HASTINGS MUSEUM & ART GALLERY HEATING BOILERS	Replace existing heating boiler	30,000	0	0	0	0
20132	OR450	12/13 York Buildings Flat Conversion	Contribution to capital project	0	0	0	0	0
20132	OR451	12/13 York Buildings Flat Conversion	Contribution to capital project II	0	0	0	0	0
20246	OR452	Hastings Castle	Wall reduction and soil retention	0	0	20,000	0	0
20117	OR453	MMH	Space heating boiler replacement	0	0	30,000	0	0
20245	OR454	East Hill Lift Top Station	Remove and rebuild turrets	0	0	60,000	0	0
20250	OR455	White Rock Baths (Source P)	Concrete survey and making safe defects	0	0	10,000	0	0
20287	OR456	Grand Parade Car Park	Concrete survey and making safe defects	0	0	9,000	0	0
20310	OR457	Warrior Square Gardens	Replacement amenity lighting	0	0	3,000	0	0
20310	OR458	Marine Court	Replacement amenity lighting	0	0	20,000	0	0
20117	OR459	Muriel Matters House	Replacement of heating boilers	0	50,000	0	0	0
20287	OR460	Priory Street MSCP	Repair/lace damaged boundary wall at rear of the closed PC	0	0	15,000	0	0
20303	OR461	Cem & Crem Office	External damp works and repairs	0	0	12,000	0	0
20303	OR462	Cem & Crem Office	Internal works to create new filing room	0	0	15,000	0	0
20303	OR463	Crem flue	Replacement of flue (out of 22/23 or 23/24 contingency?)	0	30,000	0	0	0
20250	OR464	Promenade	Localised repairs to railings (pending wider scheme)	0	0	10,000	0	0
20250	OR465	Bottle Alley Lower	Redecoration of ceiling, columns, soffits and fascias	0	0	25,000	0	0
20250	OR466	Promenade	Targeted localised surface repairs in places otherwise not identified in survey as highest priority.	0	0	8,000	0	0
20313	OR467	Hastings Country Park Farm Yard	Recycling key clamp repairs.	0	0	15,000	0	0
20310	OR468	Sandhurst Recreation Ground Pavilions	Buildings in poor condition. Insurance settlement of £10.7k received and not used.	0	0	11,000	0	0
20310	OR469	Clive Vale Reservoirs	Bankside issues	0	0	6,000	0	0
20310	OR470	Old St. Helens Church	Repairs to vandalism	0	0	10,000	0	0
20310	OR471	Alexandra Park yard, condition works to building and yard (for new GM DSO)	Yard buildings and yard area condition works	0	0	20,000	0	0
20310	OR472	Ore Closed Churchyard, Winchelsea Road,	Removal of wall and repairs to pillar	0	0	6,000	0	0
20310	OR473	Recommended works to the Buckshole Reservoir Tower	Stillwater, recommended repair works to the Buckshole Reservoir valve tower	0	0	11,000	0	0
		Total of Other Work		**325,200**	**769,600**	**518,500**	**4,000**	**0**

Proposals	Savings/ Income £000		
	2023/24 £	2024/25 £	2025/26 £
Savings identified during the PIER process for the 2023/24 budget supporting information set out in appendix L			
REVIEW and REDUCE: On-going programme to review and reduce service costs and staffing expenditure (combination of approaches) to a total of £1m over three years. Posts to be deleted by start of 23/24 are all either vacant or are voluntary severance requests	£275,000	£500,000	£1,000,000
REDUCE and COST AVOIDANCE: Temporary Accommodation Costs Reduction Strategy	£1,000,000	£2,000,000	£3,000,000
Total	**£1,275,000**	**£2,500,000**	**£4,000,000**
STOP: Emergency Planning – Stop satellite phone and One Voice IT system	£3,300	£3,300	£3,300
REDUCE: Communications – Saving on printing, etc.	£500	£500	£500
REDUCE: Community safety – Reduce funding for community safety initiatives	£5,000	£5,000	£5,000
STOP: Cemetery and Crematorium external cleaning contract	£2,500	£2,500	£2,500
PAUSE: Provision of committee meeting live streaming, except Full Council meetings	£5,000	£5,000	£5,000
STOP/PAUSE/REDUCE grants/delivery of events:			
St Leonards Festival £8k	£0	TBC	TBC
Chess congress £10k	£0	TBC	TBC
Old Town Carnival £4k	£0	TBC	TBC
Jack in the Green £5k TBC (£3k reduction already agreed last year)	£0	TBC	TBC
Hastings Week £1k	£0	TBC	TBC
STOP: Support for 2023 Town Crier's competition	£2,000	£2,000	£2,000
REDUCE: Contribution to 1066 Country Campaign marketing campaign and focus on Hastings-only marketing	£50,000	£50,000	£50,000
REVIEW and REDUCE: Museum running costs by 10% and seek a strategic partnership solution to the sustainable future of the museum	£35,000	£35,000	£35,000
REDUCE: Contribution to Hastings Contemporary (currently £30k p.a.)	£10,000	£15,000	£20,000
REVIEW: Options for cost effective provision of public toilets and meeting spiralling vandalism costs	£0	£20,000	£40,000
REDUCE: Maintenance costs of decorative lighting across the borough (total net cost is currently £72k)	£40,000	£50,000	£60,000
REDUCE: Expenditure/seek commercial sponsorship for Christmas trees (£7,500 budget)	£5,000	£5,000	£5,000
STOP: Funding Visitor Information Centre at SCCH (net cost £30k) and divert 50% of the budget to marketing Hastings as a destination	£15,000	£15,000	£15,000
Total	**£173,300**	**£208,300**	**£243,300**
Growth Items and Budget adjustments			
Emergency Planning – budget for out of hours on call payments (silver/gold/rest centre) adjusted to meet needs	£4,000	£4,000	£4,000
Local Plan evidence research required earlier than profiled to enable plan to be submitted to Examination in Public stage	£50,000	£0	£0
Green Investment Fund Created (1% of HBC net budget) to invest in climate emergency activity - to include officer resources, activity and investment in alternative fuels for the waste fleet	£150,000	£150,000	£150,000
Funding for external support and advice required to review the council's governance system - as per motion agreed by Full Council 15th Dec 2022	£30,000	£0	£0
Pilot to tackle anti-social behaviour in urban and countryside parks (post will be part-year 23/24 and 24/25)	£21,750	£21,750	£0
Total	**£255,750**	**£175,750**	**£154,000**
NET Total of Savings / (Growth)	**£1,192,550**	**£2,532,550**	**£4,089,300**

Appendix M

Council Tax – Overall

The Council is recommended to resolve as follows:

1 It be noted that the Council has calculated the

2 Calculate that the Council Tax requirement for the Council's own purposes for 2023/24 is £7,679,640

3 That the following amounts be calculated for the year 2023/24 in accordance with Sections 31 to 36 of the Act:

(a)	75,315,294	Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils
(b)	67,635,654	Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act
(c)	7,679,640	Being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31B of the Act)
(d)	290.09	Being the amount at 3(c) above (Item R), all divided by Item T (1(a) above), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year
(e)	£0	Being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act
(f)	290.09	Being the amount at 3(d) above less the result given by dividing the amount at 3(e) above by Item T (1(a) above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish precept relates

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

5 That the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts shown in the tables below as the amounts of Council Tax for 2023/24 for each part of its area and for each of the categories of dwellings.

	Valuation Bands							
	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Hastings Borough Council	193.39	225.63	257.86	290.09	354.55	419.02	483.48	580.18
East Sussex County Council (Including Adult Social Care)	1,107.72	1,292.34	1,476.96	1,661.58	2,030.82	2,400.06	2,769.30	3,323.16
East Sussex Fire Authority	67.56	78.83	90.09	101.35	123.87	146.39	168.91	202.69
Police and Crime	152.92	178.41	203.9	229.38571	280.36	331.33	382.31	458.77
Aggregate of Council Tax Requirem	1,521.59	1,775.21	2,028.81	2,282.40	2,789.60	3,296.80	3,804.00	4,564.80

6 The Council's basic amount of Council Tax for 2023/24 is not excessive as determined in accordance with principles approved under Section 52ZB Local Government Finance Act 1992. To be deemed excessive the Borough's Council Tax would need to be increased by 3%, or more than 3%, and also more than £5 in 2023/24

Council Service Expenditure **Appendix O**

2021-22 ACTUAL	SERVICE	2022-23 BUDGET	2022-23 FORECAST OUTTURN	2022-23 FORECAST VARIANCE	2023-24 ESTIMATED TOTAL EXPENDITURE	2023-24 TOTAL INCOME	2023-24 ESTIMATED BUDGET	2023-24 BUDGET TO 2022-23 BUDGET VARIANCE
£	**SUMMARY OF REVENUE ESTIMATES**	£	£	£	£	£	£	£
216,696	20101 - Managing Director	220,650	223,885	3,235	232,590	0	232,590	11,940
272,472	20102 - Corp. Policy, Partnerships and Performance	248,610	230,310	(18,300)	238,430	0	238,430	(10,180)
223,892	20103 - Electoral Services	229,350	235,300	5,950	249,080	0	249,080	19,730
386,426	20104 - Estates Services	406,280	415,320	9,040	438,110	0	438,110	31,830
220,392	20105 - Building Surveyors	220,450	231,610	11,160	242,590	0	242,590	22,140
427,956	20106 - Legal Services	543,350	541,650	(1,700)	628,570	(40,000)	588,570	45,220
232,483	20107 - Internal Audit Services	226,290	233,970	7,680	245,500	0	245,500	19,210
8,015	20108 - Fraud and Investigations	9,610	10,320	710	10,600	0	10,600	990
1,015,946	20109 - Accountancy Services	1,046,990	1,041,180	(5,810)	1,104,060	(2,500)	1,101,560	54,570
2,221,942	20110 - Revenues Services	2,177,900	2,427,900	250,000	2,420,350	(98,950)	2,321,400	143,500
555,113	20111 - People, Customer and Business Support	625,560	621,260	(4,300)	669,890	0	669,890	44,330
165,877	20112 - Corporate Personnel Expenses	166,240	169,640	3,400	171,590	0	171,590	5,350
723,304	20113 - Contact Centre	749,950	777,700	27,750	848,800	0	848,800	98,850
209,309	20115 - Transformation Team	198,580	207,490	8,910	216,400	0	216,400	17,820
55,523	20116 - Admin Buildings - Town Hall	25,630	42,540	16,910	168,210	(128,200)	40,010	14,380
414,079	20117 - Admin Buildings - Muriel Matters House	434,430	432,460	(1,970)	517,240	(154,090)	363,150	(71,280)
58,043	20118 - Admin Buildings - General Expenses	72,030	72,390	360	74,600	0	74,600	2,570
1,333,906	20120 - Corporate Expenses	1,235,070	1,373,540	138,470	1,422,710	0	1,422,710	187,640
684,474	20121 - IT	706,680	728,010	21,330	782,830	0	782,830	76,150
318,559	20122 - IT Reserve / Hardware	304,940	307,820	2,880	314,780	0	314,780	9,840
48,111	20123 - Land & Property Systems-GIS	48,760	49,300	540	51,290	0	51,290	2,530
892,081	20172 - Administration - Housing	910,520	989,560	79,040	976,090	0	976,090	65,570
80,679	20173 - Local Land Planning Management & Admin	82,880	60,450	(22,430)	104,870	(12,000)	92,870	9,990
0	20174 (1015) - Director of Operational Services	0	0	0	0	0	0	0
288,411	20175 (1070) - Leisure Administration	289,420	303,330	13,910	316,580	0	316,580	27,160
214,474	20176 (1075) - Resort Services Management and Administration	211,510	227,810	16,300	238,980	0	238,980	27,470
508,750	20177 - Regeneration Administration Division	509,900	547,410	37,510	572,640	0	572,640	62,740
310,187	20178 - Marketing	304,610	364,990	60,380	384,040	0	384,040	79,430
926,918	20169 - Environmental Services Management &	941,580	1,013,890	72,310	964,730	0	964,730	23,150
418,408	20170 - Amenities Administration	423,470	418,750	(4,720)	439,870	0	439,870	16,400
474,443	20316 - Waste Service - Management and Admin	474,420	494,540	20,120	510,390	0	510,390	35,970
806,189	20317 - Parking Service - Management and Admin	823,090	835,650	12,560	889,790	(1,300)	888,490	65,400
(14,772,197)	Less recharges to other services	(15,153,730)	(15,629,975)	(476,245)		(16,009,160)	(16,009,160)	
(59,138)	Unallocated Balance	(284,980)	0	284,980	16,446,200	(16,446,200)	0	1,140,410
803,177	20124 - Corporate Management Expenses	822,000	928,665	106,665	(729,110)	0	(729,110)	(1,551,110)

Council Service Expenditure **Appendix O**

2021-22 ACTUAL	SERVICE	2022-23 BUDGET	2022-23 FORECAST OUTTURN	2022-23 FORECAST VARIANCE	2023-24 ESTIMATED TOTAL EXPENDITURE	2023-24 TOTAL INCOME	2023-24 ESTIMATED BUDGET	2023-24 BUDGET TO 2022-23 BUDGET VARIANCE
£	**SUMMARY OF REVENUE ESTIMATES**	£	£	£	£	£	£	£
686,057	20125 - Non Distributed Costs	**655,660**	637,050	(18,610)	179,770	0	**179,770**	**(475,890)**
(438,267)	20126 - Housing Benefit Payments	**(116,590)**	(116,590)	0	28,571,590	(28,688,180)	**(116,590)**	**0**
1,146,222	20127 - Housing Benefit Administration	**1,096,170**	1,221,680	125,510	1,168,640	0	**1,168,640**	**72,470**
365,731	20128 - Council Tax Benefit - administration	**349,770**	389,830	40,060	372,920	0	**372,920**	**23,150**
385,688	20129 - Council Tax and Business Rates Collection	**544,350**	630,720	86,370	841,390	(244,170)	**597,220**	**52,870**
(362,539)	20130 - Employment Areas	**(375,910)**	(376,350)	(440)	60,330	(435,300)	**(374,970)**	**940**
(1,612,746)	20131 - Factory Units	**(1,428,160)**	(1,427,940)	220	380,260	(1,794,300)	**(1,414,040)**	**14,120**
(2,989,997)	20132 - Farms and Other Properties	**(3,146,280)**	(3,088,720)	57,560	698,930	(3,861,350)	**(3,162,420)**	**(16,140)**
5,968	20132 - St Mary in the Castle	**16,070**	16,290	220	16,500	0	**16,500**	**430**
401,939	20135 - Other Expenditure	**419,220**	376,100	(43,120)	431,620	0	**431,620**	**12,400**
223,300	20136 / 20137 - Registration of Electors	**222,690**	227,168	4,478	240,540	(3,500)	**237,040**	**14,350**
953,222	20138 - Cost of Democracy	**960,680**	963,110	2,430	1,002,310	0	**1,002,310**	**41,630**
171,348	20139 - Borough Election Expenses	**204,150**	199,080	(5,070)	131,600	0	**131,600**	**(72,550)**
(10,077)	20140 - General Election Expenses	**0**	0	0	0	0	**0**	**0**
(29,786)	20141 - County Council Election Expenses	**0**	0	0	0	0	**0**	**0**
3,292	20143 - Police and Crime Commissioner Election Expenses	**0**	0	0	0	0	**0**	**0**
0	20144 - Local Strategic Partnership	**19,470**	0	(19,470)	0	0	**0**	**(19,470)**
0	20145 - Sustainable Energy & Development	**15,410**	0	(15,410)	0	0	**0**	**(15,410)**
0	20146 - Public Consultation	**6,490**	0	(6,490)	0	0	**0**	**(6,490)**
19,516	20148 - Shelters and Seats	**42,790**	52,150	9,360	43,100	0	**43,100**	**310**
9,927	20149 - Street Naming and Numbering	**11,860**	11,870	10	14,070	0	**14,070**	**2,210**
83,940	20150 - Decorative Lighting	**88,540**	165,310	76,770	90,640	0	**90,640**	**2,100**
124,179	20324 - Communications and Design	**121,270**	130,600	9,330	145,070	(2,500)	**142,570**	**21,300**
5,063	20151 / 20152 / 20155-61 - Foreshore Trust	**8,900**	8,900	0	8,940	0	**8,940**	**40**
26,787	20152 / 20152 / 20155-61 - Foreshore Trust	**11,920**	11,920	0	22,220	(10,500)	**11,720**	**(200)**
0	20153 / 20152 / 20155-61 - Foreshore Trust	**(2,300)**	(2,300)	0	200	(2,500)	**(2,300)**	**0**
0	20154 / 20152 / 20155-61 - Foreshore Trust	**0**	0	0	0	0	**0**	**0**
(42,714)	20155 / 20152 / 20155-61 - Foreshore Trust	**(343,820)**	(343,820)	0	(94,980)	(247,440)	**(342,420)**	**1,400**
0	20156 / 20152 / 20155-61 - Foreshore Trust	**0**	0	0	0	0	**0**	**0**
0	20157 / 20152 / 20155-61 - Foreshore Trust	**0**	0	0	0	0	**0**	**0**
10,000	20158 / 20152 / 20155-61 - Foreshore Trust	**299,000**	299,000	0	299,000	0	**299,000**	**0**
3,052	20159 / 20152 / 20155-61 - Foreshore Trust	**0**	0	0	0	0	**0**	**0**
0	20160 / 20152 / 20155-61 - Foreshore Trust	**25,000**	25,000	0	25,000	0	**25,000**	**0**
77	20161 / 20152 / 20155-61 - Foreshore Trust	**1,300**	1,300	0	1,550	(250)	**1,300**	**0**
633,357	20180 - Development Control	**854,930**	1,162,304	307,374	1,332,470	(350,000)	**982,470**	**127,540**
(123,352)	20181 - Local Land Charges Register	**(113,600)**	(117,706)	(4,106)	118,690	(220,000)	**(101,310)**	**12,290**

2021-22 ACTUAL	SERVICE	2022-23 BUDGET	2022-23 FORECAST OUTTURN	2022-23 FORECAST VARIANCE	2023-24 ESTIMATED TOTAL EXPENDITURE	2023-24 TOTAL INCOME	2023-24 ESTIMATED BUDGET	2023-24 BUDGET TO 2022-23 BUDGET VARIANCE
£	**SUMMARY OF REVENUE ESTIMATES**	£	£	£	£	£	£	£
1,825,392	20182 - Homelessness	**2,908,000**	4,961,918	2,053,918	8,978,120	(3,749,470)	**5,228,650**	**2,320,650**
(1)	20183 - Homelessness Reduction Grant	**0**	36	36	376,580	(376,580)	**0**	**0**
233,854	20207 - Rough Sleeper Prevention	**0**	(0)	(0)	1,428,490	(1,428,490)	**0**	**0**
89,493	20184 - Social Lettings	**151,260**	150,895	(365)	456,220	(376,400)	**79,820**	**(71,440)**
89,319	20185 - Homelessness Strategy	**104,670**	95,867	(8,803)	105,420	0	**105,420**	**750**
65,785	20186 - Housing Register	**75,150**	80,370	5,220	79,430	0	**79,430**	**4,280**
(1)	20187 - Funded Deposits	**(41,420)**	(41,440)	(20)	162,070	(162,090)	**(20)**	**41,400**
(9,458)	20188 - Youth Homelessness	**22,190**	17,423	(4,767)	78,680	(58,400)	**20,280**	**(1,910)**
62,561	20193 - Controlling Migration Fund	**0**	0	0	0	0	**0**	**0**
50,891	20179 - Building Control	**62,470**	63,550	1,080	63,560	0	**63,560**	**1,090**
7,616	20197 - Housing Solution Services	**11,580**	8,636	(2,944)	71,570	(57,000)	**14,570**	**2,990**
106,415	20191 - Housing Renewal	**396,370**	498,986	102,616	435,140	(15,000)	**420,140**	**23,770**
359,002	20195 - Selective licensing	**0**	0	0	0	0	**0**	**0**
(69,015)	20196 - Housing Licensing	**193,980**	164,548	(29,432)	212,350	0	**212,350**	**18,370**
36,080	20200 - Dangerous Structures	**2,500**	259,390	256,890	0	0	**0**	**(2,500)**
720	20198 - Housing - Works in Default	**0**	0	0	0	0	**0**	**0**
0	20346 - Housing Support Fund	**0**	0	0	0	0	**0**	**0**
0	20348 - Homelessness Prevention	**0**	0	0	0	0	**0**	**0**
0	20349 - Homes for Ukrainian Refugees	**0**	0	0	0	0	**0**	**0**
0	20350 - Housing Development Projects	**0**	110,000	110,000	0	0	**0**	**0**
0	20351 - HBC Owned TA	**0**	0	0	102,900	0	**102,900**	**102,900**
13,968	20206 - Syrian Resettlement Programme	**(82,640)**	(88,514)	(5,874)	42,840	(53,275)	**(10,435)**	**72,205**
(2,178)	20322 - Housing Company	**0**	250	250	0	0	**0**	**0**
0	20344 - Afghan Resettlement Programme	**(47,020)**	(47,020)	0	126,000	(126,000)	**0**	**47,020**
1	20202 - Housing - NHS Clinical Commissioning Group CCG	**0**	0	0	0	0	**0**	**0**
(0)	20334 - CHART - Live, Work, Thrive	**0**	0	0	0	0	**0**	**0**
0	20342 - CHART - Resettlement Employability Project	**0**	649	649	72,530	(72,530)	**0**	**0**
5,435	20204 - Sustainable Housing in Inclusive Neighbourhoods	**0**	0	0	0	0	**0**	**0**
137,953	20208 - Regeneration Activity	**324,960**	481,580	156,620	356,240	0	**356,240**	**31,280**
240,179	20211 - Planning Policy	**297,190**	252,904	(44,286)	317,770	0	**317,770**	**20,580**
24,703	20341 - Local Plan	**201,820**	326,020	124,200	132,000	0	**132,000**	**(69,820)**
129,884	20212 - Cultural Activities	**133,440**	107,730	(25,710)	158,690	(30,000)	**128,690**	**(4,750)**
90,698	20214 - External Funding Initiatives	**102,140**	89,939	(12,201)	106,160	0	**106,160**	**4,020**
32,163	20215 - Community Cohesion	**33,500**	32,720	(780)	32,980	0	**32,980**	**(520)**
5,000	20221 - Youth Activities (Young Persons Council)	**5,000**	5,000	0	5,000	0	**5,000**	**0**
102,135	20321 - Renewable Energy Solutions	**104,710**	46,436	(58,274)	119,960	(4,000)	**115,960**	**11,250**
50,208	20209 - White Rock & Bohemia Area Development	**0**	0	0	0	0	**0**	**0**

2021-22 ACTUAL	SERVICE	2022-23 BUDGET	2022-23 FORECAST OUTTURN	2022-23 FORECAST VARIANCE	2023-24 ESTIMATED TOTAL EXPENDITURE	2023-24 TOTAL INCOME	2023-24 ESTIMATED BUDGET	2023-24 BUDGET TO 2022-23 BUDGET VARIANCE
£	**SUMMARY OF REVENUE ESTIMATES**	£	£	£	£	£	£	£
(29,522)	20166 - Towns Fund	**28,000**	(24,826)	(52,826)	320,000	(320,000)	**0**	**(28,000)**
0	20325 - DESTI Smart	**0**	1,806	1,806	0	0	**0**	**0**
(1,304)	20335 - LGF Wayfinding	**0**	0	0	0	0	**0**	**0**
(13,490)	20336 - Reopening High Street Fund	**0**	(2)	(2)	0	0	**0**	**0**
30,264	20269 - CHART CLLD - Connecting Hastings and Rother Together Community Led Local Development	**67,000**	67,000	0	0	0	**0**	**(67,000)**
0	20320 - CHART ESF	**0**	0	0	0	0	**0**	**0**
1	20333 - CHART Churchfield	**0**	0	0	0	0	**0**	**0**
159,764	20222 (5701) - 1066 Country Campaign	**160,570**	222,329	61,759	259,620	(72,000)	**187,620**	**27,050**
2,916	20224 - Battle Marketing	**0**	0	0	0	0	**0**	**0**
153,533	20225 - TIC Tourist Information Centre	**40,850**	40,790	(60)	40,850	0	**40,850**	**0**
1,645	20226 (5705) - Community Awareness	**1,900**	(3,287)	(5,187)	4,700	(5,000)	**(300)**	**(2,200)**
3,804	20230 - R.T.P. - Hastings Week	**5,430**	5,710	280	6,980	0	**6,980**	**1,550**
5,186	20231 - R.T.P. - Jack-in-the-Green	**13,930**	13,143	(787)	12,280	0	**12,280**	**(1,650)**
6,692	20232 - R.T.P. - Old Town Carnival	**8,060**	8,729	669	9,610	0	**9,610**	**1,550**
13,692	20233 - Raising the Profile of Hastings	**21,930**	23,210	1,280	23,480	0	**23,480**	**1,550**
4,404	20234 - R.T.P. - Trolley Bus	**5,930**	0	(5,930)	0	0	**0**	**(5,930)**
6,148	20235 - R.T.P. - Town Crier	**5,890**	7,759	1,869	7,440	0	**7,440**	**1,550**
5,622	20228 - Seafood and Wine	**3,410**	4,839	1,429	50,860	(50,400)	**460**	**(2,950)**
6,376	20237 - Midsummer Fish Festival	**6,090**	16,064	9,974	24,800	(24,800)	**0**	**(6,090)**
3	20238 - Herring Fair	**0**	0	0	0	0	**0**	**0**
4,059	20239 - Meteorological Expenses	**4,580**	5,800	1,220	6,030	0	**6,030**	**1,450**
14,946	20240 (5507) - Civic & Ceremonial Expenses	**14,400**	15,361	961	15,600	0	**15,600**	**1,200**
(7,838)	20241 (5740) - Filming	**(10,000)**	(19,153)	(9,153)	31,010	(36,000)	**(4,990)**	**5,010**
24,860	20242 - Coastal Protection	**25,000**	20,870	(4,130)	21,820	0	**21,820**	**(3,180)**
3,396	20243 - Navigational Aids	**3,620**	5,322	1,702	5,820	0	**5,820**	**2,200**
7,680	20244 - Env. Schemes Net Shops	**19,310**	24,880	5,570	20,110	0	**20,110**	**800**
(22,360)	20245 - Cliff Railways	**(105,580)**	(169,615)	(64,035)	356,860	(412,800)	**(55,940)**	**49,640**
(9,295)	20246 - Hastings Castle	**(8,150)**	(7,240)	910	66,310	(32,750)	**33,560**	**41,710**
(10,000)	20247 - St Clements Caves	**(10,000)**	(10,000)	0	0	(10,000)	**(10,000)**	**0**
(195,985)	20248 - Chalets and Beach Huts	**(222,340)**	(220,251)	2,089	95,490	(321,000)	**(225,510)**	**(3,170)**
253,746	20249 - White Rock Theatre	**253,240**	253,650	410	153,710	0	**153,710**	**(99,530)**
176,518	20250 - Seafront	**218,700**	236,570	17,870	342,170	(56,100)	**286,070**	**67,370**
(15,765)	20257 - Sports Management	**(13,910)**	(16,272)	(2,362)	39,150	(50,000)	**(10,850)**	**3,060**
430,273	20251 - Museums	**448,440**	430,876	(17,564)	475,350	(25,000)	**450,350**	**1,910**
8,664	20252 - Fishermans Museum	**10,360**	10,770	410	12,020	0	**12,020**	**1,660**
(4,293)	20327 - Museum & Schools Project	**0**	4,200	4,200	0	0	**0**	**0**

Council Service Expenditure **Appendix O**

2021-22 ACTUAL	SERVICE	2022-23 BUDGET	2022-23 FORECAST OUTTURN	2022-23 FORECAST VARIANCE	2023-24 ESTIMATED TOTAL EXPENDITURE	2023-24 TOTAL INCOME	2023-24 ESTIMATED BUDGET	2023-24 BUDGET TO 2022-23 BUDGET VARIANCE
£	**SUMMARY OF REVENUE ESTIMATES**	£	£	£	£	£	£	£
44,576	20258 - Falaise Fitness Centre	**71,090**	72,280	1,190	49,230	0	**49,230**	**(21,860)**
24,138	20259 - Sports Centres	**71,060**	110,043	38,983	112,430	(43,000)	**69,430**	**(1,630)**
184,578	20264 (6657) - Active Hastings & Play Development	**160,380**	168,740	8,360	428,240	(243,350)	**184,890**	**24,510**
37,288	20267 - Play Pathfinder	**40,420**	42,220	1,800	43,930	0	**43,930**	**3,510**
(11,337)	20271 - CHART Active Hastings	**0**	(8,037)	(8,037)	0	0	**0**	**0**
0	20217 - Coastal Communities Fund	**0**	0	0	0	0	**0**	**0**
5,016	20219 - Community Partnership	**0**	0	0	0	0	**0**	**0**
0	20272 (6641) - Lets get Moving (CCG)	**0**	0	0	0	0	**0**	**0**
0	20273 (1937) - British BID DCLG - Loan Fund (Business Improvement District)	**0**	0	0	0	0	**0**	**0**
283,453	20276 - Food Safety	**288,710**	307,190	18,480	292,330	0	**292,330**	**3,620**
109,179	20277 - Health and Safety Enforcement	**109,110**	120,380	11,270	114,950	(2,550)	**112,400**	**3,290**
38,255	20278 - Health and Safety Corporate	**37,770**	39,730	1,960	38,390	0	**38,390**	**620**
300,060	20279 - Environmental Protection	**303,050**	322,390	19,340	314,710	(5,130)	**309,580**	**6,530**
46,731	20280 - Pest Control	**53,590**	56,254	2,664	60,270	(4,240)	**56,030**	**2,440**
24,968	20281 - Local Licensing	**52,170**	63,776	11,606	279,570	(210,000)	**69,570**	**17,400**
(1,280)	20282 - Scrap Metal Licensing	**(380)**	(380)	0	0	(380)	**(380)**	**0**
(73,582)	20283 - Liquor Licensing	**(78,100)**	(77,370)	730	6,560	(84,400)	**(77,840)**	**260**
(13,409)	20284 - Gambling Licensing	**(16,400)**	(16,260)	140	1,150	(17,500)	**(16,350)**	**50**
44,870	20285 - Stray Dog Contract	**44,640**	45,570	930	55,520	(500)	**55,020**	**10,380**
67,879	20286 - Emergency Planning	**67,470**	72,440	4,970	68,660	0	**68,660**	**1,190**
(745,858)	20287 - Off Street Parking	**(774,450)**	(578,670)	195,780	2,051,270	(2,847,300)	**(796,030)**	**(21,580)**
(1,156)	20288 - Horntye Car Park	**(3,360)**	(3,360)	0	13,640	(17,000)	**(3,360)**	**0**
7,719	20289 - Abandoned Vehicles	**4,730**	4,740	10	4,990	0	**4,990**	**260**
83,895	20290 - Closed Circuit Television	**75,030**	88,750	13,720	89,260	0	**89,260**	**14,230**
(8,123)	20291 - ESCC Highway Tree Maintenance	**(3,000)**	2,000	5,000	22,000	(25,000)	**(3,000)**	**0**
971	20119 - DSO Operational Building	**53,420**	50,810	(2,610)	53,880	0	**53,880**	**460**
1,303,334	20293 - Waste Collection	**1,387,810**	1,414,050	26,240	1,584,670	(100,000)	**1,484,670**	**96,860**
854,631	20294 - Recycling	**903,260**	907,180	3,920	951,320	0	**951,320**	**48,060**
132,378	20295 - Street Cleansing	**116,770**	152,270	35,500	156,610	0	**156,610**	**39,840**
1,172,320	20323 - Waste and Street Cleansing (DSO)	**1,346,910**	1,263,833	(83,077)	1,375,470	(15,000)	**1,360,470**	**13,560**
(324,285)	20296 - Greenwaste	**(298,440)**	(344,940)	(46,500)	204,060	(520,000)	**(315,940)**	**(17,500)**
340,221	20297 - Waste and Environmental Enforcement Team	**327,900**	353,320	25,420	366,910	(20,000)	**346,910**	**19,010**
33,742	20298 - Together Action	**37,760**	34,730	(3,030)	35,500	0	**35,500**	**(2,260)**
86,224	20299 - Safer Hastings Partnership (HBC)	**89,450**	86,297	(3,153)	88,240	0	**88,240**	**(1,210)**
(12,043)	20300 - Safer Hastings Partnership (External)	**0**	9,500	9,500	64,500	(64,500)	**0**	**0**
0	20337 - Safer Streets	**0**	0	0	0	0	**0**	**0**

Council Service Expenditure **Appendix O**

2021-22 ACTUAL	SERVICE	2022-23 BUDGET	2022-23 FORECAST OUTTURN	2022-23 FORECAST VARIANCE	2023-24 ESTIMATED TOTAL EXPENDITURE	2023-24 TOTAL INCOME	2023-24 ESTIMATED BUDGET	2023-24 BUDGET TO 2022-23 BUDGET VARIANCE
£	**SUMMARY OF REVENUE ESTIMATES**	£	£	£	£	£	£	£
0	20345 - Violence Against Women and Girls	**0**	0	0	0	0	**0**	**0**
32,897	20302 - Watercourses	**34,710**	36,280	1,570	36,320	0	**36,320**	**1,610**
(611,448)	20303 / 20304 - Cemetery and Crematorium	**(631,460)**	(533,249)	98,211	861,980	(1,477,600)	**(615,620)**	**15,840**
19,943	20304 - Welfare Funerals	**8,240**	8,240	0	40,380	(32,140)	**8,240**	**0**
25,986	20305 - Travellers Costs	**26,300**	26,220	(80)	26,600	0	**26,600**	**300**
38,125	20306 - Town Centre	**36,510**	36,560	50	42,070	0	**42,070**	**5,560**
27,406	20307 - Allotments	**23,580**	21,050	(2,530)	63,660	(42,960)	**20,700**	**(2,880)**
15,905	20308 - Ecology	**18,730**	18,600	(130)	19,180	0	**19,180**	**450**
146,901	20309 - Arboriculture	**156,970**	193,849	36,879	181,570	0	**181,570**	**24,600**
1,332,719	20310 - Parks and Gardens	**1,329,700**	1,573,987	244,287	1,651,900	(125,500)	**1,526,400**	**196,700**
(56,638)	20312 - Hastings Country Park Car Parks	**(50,130)**	(50,130)	0	2,000	(52,130)	**(50,130)**	**0**
169,286	20313 - Hastings Country Park	**163,050**	217,530	54,480	181,390	0	**181,390**	**18,340**
49,421	20314 - Countryside Stewardship	**24,000**	24,000	0	95,500	(71,500)	**24,000**	**0**
337,097	20315 - Public Conveniences	**375,520**	348,040	(27,480)	352,990	(1,500)	**351,490**	**(24,030)**
(11,058)	20338 - Hastings Country Park Grant Funded Works	**0**	0	0	0	0	**0**	**0**
16,535	20339 - Hastings Country Park Visitor Centre	**20,000**	20,000	0	26,000	(6,000)	**20,000**	**0**
0	20330 - Local Parks Improvement Funding (GGR)	**0**	5,700	5,700	0	0	**0**	**0**
10,654,800	**DIRECT SERVICE EXPENDITURE**	**12,946,600**	17,217,677	4,271,077	80,752,030	(66,260,455)	**14,491,575**	**3,540,815**

GLOSSARY

ACCRUALS

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

ACTUARIAL GAINS & LOSSES

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or the actuarial assumptions have changed.

AMORTISATION

The practice of reducing the value of intangible assets to reflect their reduced worth over time.

BALANCE SHEET

This is a statement that shows the Council's overall financial position for the year ended 31 March. It identifies what is owned by the Council, what it owes and what it is owed.

BUDGET

The Council's policy, expressed in financial terms, for a specified period.

CAPITAL EXPENDITURE

Expenditure on the provision and improvements of non-current assets, including assets that are not directly owned by the Council (see below for Revenue Expenditure Financed from Capital Under Statute).

CAPITAL RECEIPTS

The proceeds from the sale of non-current assets.

CASH EQUIVALENTS

Cash equivalents are investments that mature three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

COMMUNITY ASSETS

Assets such as parks that the Council intends to hold in perpetuity, that have no determinable useful life, and which may have restrictions on their disposal.

CREDITORS

Amounts owed by the Council but not paid at the date of the balance sheet.

CONTINGENT

An asset or liability can be contingent. This means that a condition which exists at the balance sheet date and where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

CORPORATE AND DEMOCRATIC CORE

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities is thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services.

CURRENT SERVICE COSTS (PENSIONS)

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

CURTAILMENT

Curtailments will show the cost of the early payment of pension benefits if any employee has been made redundant in the previous year.

DEBTORS

Amounts owed to the Council but unpaid at the date of the balance sheet.

DEFINED BENEFIT SCHEME

A pension scheme under which benefits are payable under regulations, in which the benefits re not directly related to the scheme investments. The scheme may be funded or unfunded.

DEPRECIATION

The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, passing of time obsolescence through technological or other changes.

EARMARKED RESERVES

Internal reserves set aside to finance future expenditure for purposes falling outside the definition of provisions.

EXCEPTIONAL ITEMS

Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

FAIR VALUE

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction.

FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. In simple terms it covers both financial assets and financial liabilities such as trade debtors and trade creditors, to the more complex derivatives e.g. swaps and embedded derivatives.

GENERAL FUND

The main revenue account of the Council which contains the revenue income and expenditure of all services provided.

GOVERNMENT GRANTS

Central Government contributions towards local authority expenditure: examples include Revenue Support Grant and Housing Benefit subsidy.

HERITAGE ASSETS

These are assets which are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations.

IMPAIRMENT

A reduction in the value of an asset, whether from physical or economic causes, or because of a reduction in the market price.

INFRASTRUCTURE ASSETS

A category of Property, Plant and Equipment, covering inalienable assets, expenditure on which is recoverable only by continued use of the asset created. An example is the sea wall and promenade.

INTANGIBLE ASSETS

Identifiable non-monetary assets such as software licences.

INVESTMENT PROPERTIES

Property held solely to earn rentals or for capital appreciation or both.

LEASES

An agreement whereby the lessor conveys to the lessee, in return for a payment or a number of payments, the right to use an asset for an agreed period of time.

PAST SERVICE COST

Discretionary pension benefits awarded on early retirement are treated as past service costs. This includes added years and unreduced pension benefits awarded before the rule of 85 age.

PRECEPT

The amount of money the County Council, the Sussex Police and Crime Commissioner and the Fire Authority have instructed the Borough Council to collect and pay over to it out of Council Tax receipts held in the Collection Fund; similarly the statutory share of Non-Domestic Rates that are payable to the Government, County Council and the Fire Authority.

PROVISIONS

Sums set aside for any liabilities or losses which are likely to be incurred, but uncertain as to the dates on which they will arise.

PROPERTY PLANT AND EQUIPMENT (PPE)

Tangible assets that yield up benefit to the authority over more than one accounting period, e.g. Land and Buildings.

PUBLIC WORKS LOAN BOARD (PWLB)

A Government financed body which provides a source of long-term borrowing for local authorities.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Under statute some expenditure is allowed to be treated as capital for financing purposes but does not result in the acquisition of a non -current asset for the Council.

REVENUE EXPENDITURE

Day to day expenditure on the running of services. It includes staff costs, utility charges, rent and business rates, IT and communications and office expenses.

REVENUE SUPPORT GRANT

A Government grant distributed to local authorities to augment income raised by charges for services, council tax and non-domestic rates. It is centrally determined on a needs basis.

UNUSABLE RESERVES

These are reserves, including those offsetting non-current assets and the negative reserve that offsets the long-term pension liability, that are not immediately available for use to support revenue or capital expenditure.

USABLE RESERVES

These reserves are available to support the Council's expenditure, although the Capital Receipts Reserve and the Capital Grants and Contributions Reserve may only be used for capital purposes.

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Report To:	**Budget Cabinet**
Date of Meeting:	**6 February 2023**
Report Title:	**Draft Treasury Management, Annual Investment Strategy and Capital Strategy 2023/24**
Report By:	**Simon Jones** **Deputy 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 £65.4 million of external debt (as at 31 March 2023), and investments which can fluctuate between £15m and £35m in the year. The level of debt is set to increase to some £110.3m by 2024/25.

Recommendations

Cabinet recommends to full 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 2023/24 in the light of changing and emerging risks and the Council's evolving future expenditure plans.

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, previously adopted by the Council, has been revised 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 balances.

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"

Revisions to the Prudential Code and Treasury Management Code

5. CIPFA published the revised Codes on 20th December 2021 and has stated that revisions need to be included in the reporting framework from the 2023/24 financial year. The Council, therefore, 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.

6. The Treasury Management Strategy details the requirements of the revised codes.

Borrowing / Borrowing Levels

Investment guidance

7. The revised Treasury Management Code requires all investments and investment income to 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 an authority'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.

The Primary Requirements of the Code

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

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

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

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

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

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

Reporting Arrangements

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

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

15. The CIPFA Code of Practice on Treasury Management (2021) was adopted by this Council in February 2022. The main clauses adopted are included in Appendix 8.

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

Capital Strategy

17. In the light of the increasing commercialisation within local government in particular, in December 2017, CIPFA issued revised Prudential and Treasury Management Codes. The codes require all local authorities to produce detailed Capital Strategies.

18. 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.

19. 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.

20. 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.

21. 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

22. In assessing new income generating proposals the Council does already consider the above list of issues as part of the due diligence checklist and decisions are fully documented.

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

asset.

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

Risk Management

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

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

27. The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.

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

29. The additional risks that the Council has taken on with commercial property, housing and energy investments needs to be considered in the context of the totality of risk that the Council faces e.g. 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.

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

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

Economic/Financial Implications

32. The Council generally has investments in the year of between £15 million and £35 million at any one time and is estimated to have longer term borrowings of £65.4m by the end of March 2023 (if no further external borrowing is undertaken). Management of its investments, borrowing and cash flow remains crucial to the proper and effective management of the

Council. The Strategies and Policies detailed in the report directly influence the Council's Medium Term Financial Strategy and the annual budget.

Organisational Consequences

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

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

35. There are new responsibilities placed on the Council and the Chief Finance officer from the 2021 Codes of Practice which relate to governance arrangements, ensuring robustness of business cases, and risk management. The risk management requirements relate to asset related properties which the Council has borrowed to finance, and assessments of overall risk.

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

Timetable of Next Steps

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

Action	Key milestone	Due date (provisional)	Responsible
Arrange Training for new and existing members / officers	For Mid-Year Review and prior to setting strategies for the forthcoming year Report	July 2023 & January 2024	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 6 February 2023

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Capital Strategy (2023/24)

Introduction

1. Hastings Borough Council has a range of capital resources at its disposal which are used in the delivery of its strategic priorities and objectives. These resources include iconic assets such as Hastings Castle and the Cliff Railways, to parks and open spaces, leisure facilities and entertainment venues.

2. The council's ability to ensure that these vital assets are well maintained is crucial to the future financial stability and resilience of the council. If assets fall into disrepair and are no longer fulfilling their maximum potential and primary purpose, then the ability to deliver our objectives and priorities is severely hindered.

3. The Capital Strategy should provide a high-level overview of how capital expenditure, capital financing, investments, liabilities and treasury management activity contribute to the provision of services. Together with an overview of how associated risk is managed and the implications for future financial sustainability.

4. It is therefore imperative that the council manages and plans its use of capital resources wisely and why one of the stated corporate objectives is to develop a full and detailed Corporate Asset Management Plan which will feed into future capital strategies, along with a Housing Strategy to deal with the Housing crisis that the Council finds itself in currently.

5. With all capital expenditure comes associated risk, and this comes in different forms and needs to be managed by the council when apprising different options. The risks could be from;

    - Will the Asset deliver the projected outcome?
    - Are the estimates for running costs and income accurate?
    - What is the most prudent way of financing the asset i.e. borrowing?

Regulation

6. 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.

7. 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.

8. 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.

9. 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.

10. 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.

11. To demonstrate the proportionality between the treasury operations and the non-treasury operation, high-level comparators are identified.

12. 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.

13. The Council's future spending plans are continuing to evolve and as such the Capital Strategy and other strategies may 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. The report does detail

the Council's borrowing commitments until 2069/70 that result from past and current capital programmes.

Objectives of the Capital Strategy

14. The Capital Strategy is one of the council's key documents in providing a medium to long term plan. It needs to be consistent with other key plans such as the following;

- Corporate Asset Strategy
- Corporate Plan
- Capital Programme
- Treasury Management Strategy
- Medium Term Financial Plan
- Revenue Budget
- Resources Plan

15. The Capital Strategy is therefore the policy framework document that sets out the principles to be used to guide the allocation of capital investment across all of the councils' priorities and informs the decisions on capital spending priorities.

16. In addition, and as part of the strategy, the Chief Financial Officer reports explicitly on the affordability and risk associated with the Capital Strategy.

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

17. As detailed in the Council's Medium Term Financial Strategy (MTFS), the Council continues to be in a difficult financial position requiring service reforms in its journey to becoming a lower spending council. 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 2023/24

18. Capital Investment is defined as "Expenditure on the acquisition, creation, or enhancement of 'non-current assets' i.e. items of land, property and plant which have a useful life of more than 1 year". Expenditure outside of this definition will therefore be revenue expenditure.

19. The Council's Capital programme amounts to some £31.322m (£25.789m net of grants and contributions) in 2023/24. The major areas of expenditure include:-

(I) **Cornwallis Street Development (£8.4m for 2023/24)**
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.

(II) **Housing Acquisition Programme (£11,866,000 of which £5.933m is expected to be spent in 2023/24)**
A programme to potentially acquire up to 50 housing units of various bedroom sizes to use as Temporary Accommodation to reduce the cost to the council of using privately owned accommodation.

(III) **Mayfield E – Affordable Housing (£8m of which £4.5m is expected to be spent in 2023/24)**
Development of 38 affordable housing units.

(IV) **Bexhill Road South – Affordable Housing and Car Park (£3.575m of which £2.5 is expected to be spent in 2023/24)**
Affordable housing development of 16 plus units and car park refurbishment. The council has set a target to provide 500 Affordable Rent Homes over 5 years through a variety of projects, including direct delivery.

(V) **Energy Generation – Unallocated (£4.3m of which £2.3m is expected to be spent in 2023/24)**
An additional £4.3m has been allocated for energy generation projects but remains unallocated.

(VI) **Disabled Facility Grants (£2.056m (Est) – all grant funding)**
Property related grants for adapting homes. In 2022/23 the Council will receive funding approaching £2.1m. The figure for 2023/24 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.

(VII) **Lower Bexhill Road – Housing Development (£6.9m of which £2.m is expected to be spent in 2023/24)**
The Council has received funding of some £6.9m to progress this site (grant claimed in arrears).

(VIII) **Cliff Railway (£1m for 2023/24)**
East Hill Cliff Railway essential Health & Safety improvements and track maintenance.

(IX) **Annual programme of roof refurbishment (£1.7m of which £0.7m is expected to be spent in 2023/24)**
An annual programme of roof refurbishment is required for our commercial and industrial buildings to ensure they remain watertight for their tenants and the council is able to maintain their rental income over the coming years.

(X) Grounds Maintenance Equipment (£626k for 2023/24)
Equipment is required for the new in-house grounds maintenance team to be able to carry out their role.

(XI) Energy – Solar Panels (£1.638m of which £0.5m is expected to be spent in 2023/24)
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.

(XII) Priory Meadow Contribution to capital works (£288,000 for 2023/24)
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.

(XIII) Pelham Crescent / Pelham Arcade – Building/Restoration Works (£350,000 in 2023/24)
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.

(XIV) Conversion of 12/13 York Buildings (£74k for 2023/24)
Final costs for the conversion of 6 flats at York Buildings.

(XV) Groyne Refurbishment (£35k for 2023/24)
Preserving sea defences and the town is a key priority. The Council funds the groyne refurbishment/ sea defence works and sets aside £35,000 p.a. for this – sometimes packaged together over several years.

Capital Expenditure 2024/25

20. The 2024/25 Capital programme amounts to some £15.324m (£11.521m net of grants and contributions).

21. The main areas of expenditure are Housing Acquisition Programme (£5.933m), Mayfield E Housing (£3.5m), Disabled Facility Grants (£2.056m fully grant funded), Energy Generation (£2m unallocated, £500,000 for Solar Panels), Annual programme of roof refurbishment (£500,000), Road at Pelham Arcade (£700,000) and Groyne refurbishment (£35,000).

Capital Expenditure 2025/26

22. The Council's current capital expenditure plans for 2025/26 amount to some £2.591m (£535,000 net of grants and contributions).

23. The main areas of expenditure are currently Disabled Facility Grants (£2.056m fully grant funded), Annual programme of roof refurbishment (£500,000) and Groyne Refurbishment (£35,000).

Summarised Capital Expenditure and Funding - 2022/23 to 2025/26

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

	Revised 2022/23 £'000s	2023/24 £'000s	2024/25 £'000s	2025/26 £'000s
Gross Capital Expenditure	16,879	31,322	15,324	2,591
Net Capital Expenditure	14,816	7,186	25,789	11,521
Financing from own resources	5,500	5,500	50	50
Borrowing Requirement	1,686	25,739	11,471	485

Financing the Capital Programme

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

26. 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).

27. 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 £65.4m borrowing which will be outstanding at 31 March 2023.

28. 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	2021/22 (unaudited) £'000s	2022/23 (Estimate) £'000s	2023/24 (Estimate) £'000s	2024/25 (Estimate) £'000s	2025/26 (Estimate) £'000s
CFR-Opening	72,683	71,970	72,737	97,512	107,816
Less MRP	(1,668)	(919)	(964)	(1,168)	(1,287)
Plus New Borrowing	955	1,686	25,739	11,471	485
CFR Closing	**71,970**	**72,737**	**97,512**	**107,816**	**107,014**

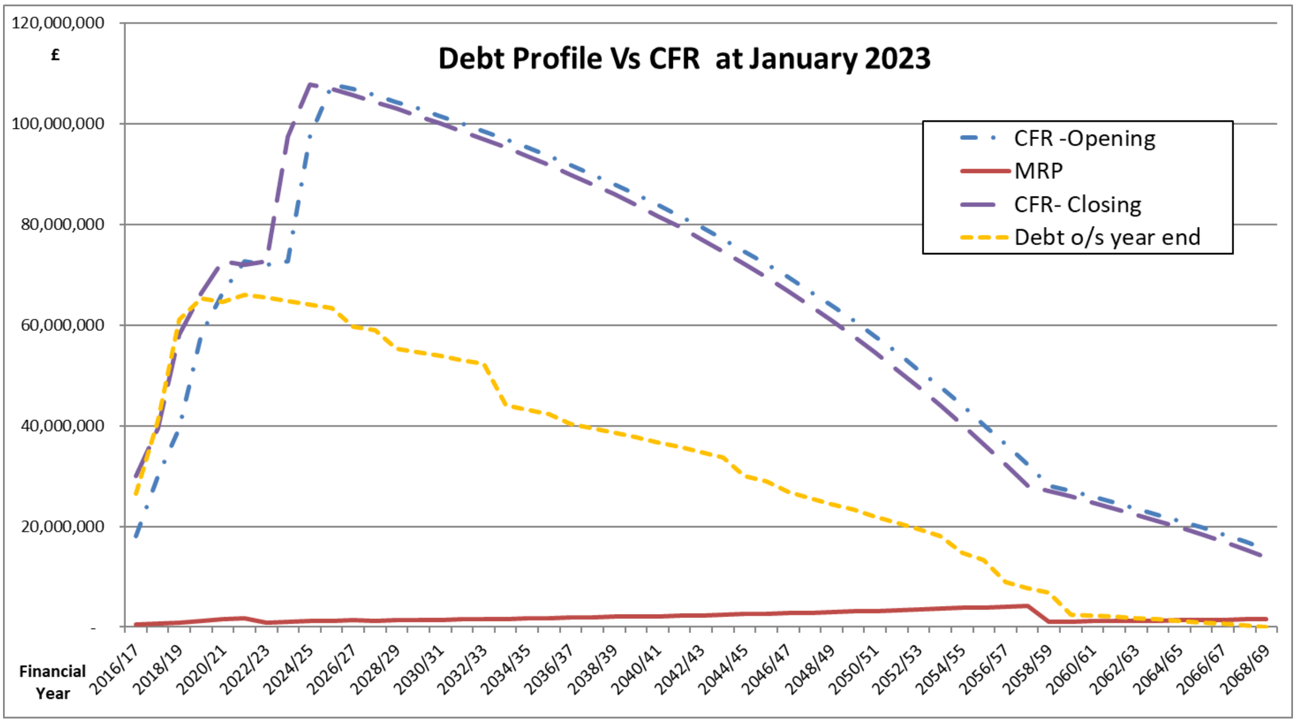
29. The table above highlights that by the end of 2024/25 the level of debt will have increased to some £107.8m (subject to viability and the approval of schemes within the Capital programme).

Revenue Consequences of the Capital Programme on the General Fund

30. 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 £185.420m at 31 March 2022 (unaudited) (£182.088m as at 31 March 2021).

Debt Profile and CFR

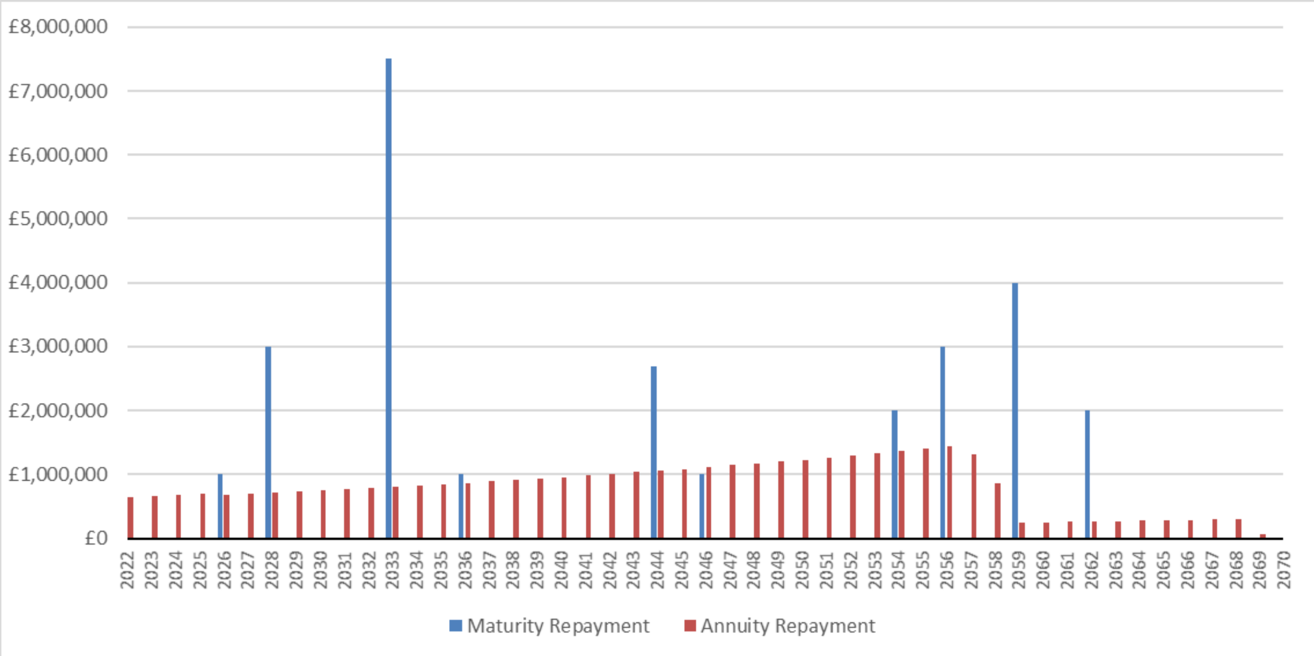
31. The graph below shows how the CFR (blue and purple lines) reduce over time as MRP payments are made. The yellow line shows the level of external debts reducing as principal repayments are made (see debt maturity graph below).



32. The graph above is based on the current known capital programme up to 2025/26. 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

33. 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.



34. 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

35. 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.

36. 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.

37. 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.

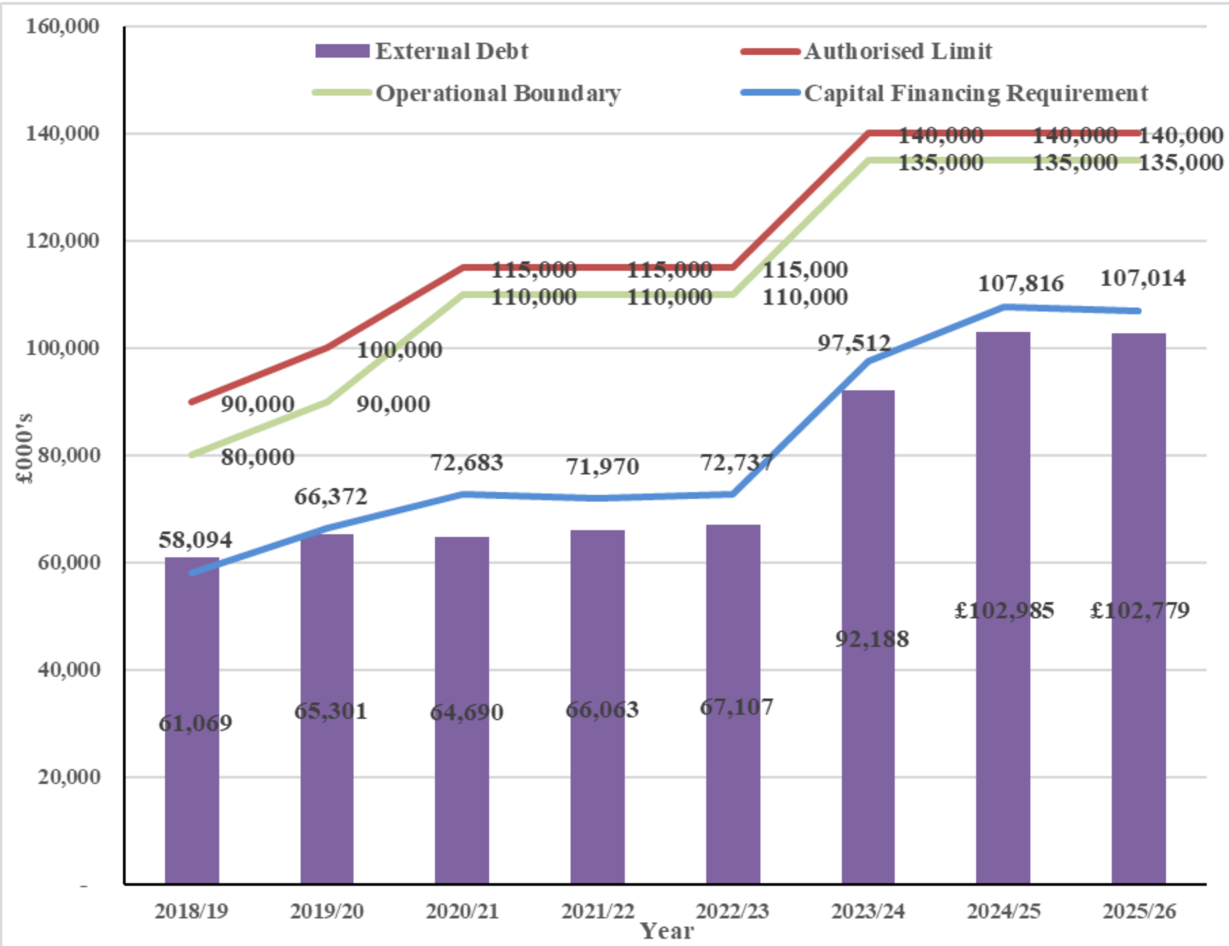
38. To arrive at an overall borrowing level (Authorised and Operational borrowing limits), the Council needs to take a considered view of its other potential liabilities, future borrowing requirements, guarantees and loans given, bad debts, claims against the Council, future funding, security and diversity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

39. Based on the existing Capital programme, by 2024/25 interest on debt will amount to some £3.681m p.a. with capital repayments (MRP) of £1.030m; offset by income and interest. This represents some 28% of the net revenue stream (amount met from government grants and local taxpayers). Interest on debt is estimated at £2.811m for 2023/24.

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

41. 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



42. 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.

43. 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.

44. 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

45. 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 31/03/2023 £	Type
Amicus /Optivo	3.78%	04/09/2014	02/09/2044	£1,788,235	Maturity
The Foreshore Trust	1.66%	21/03/2016	20/03/2026	£95,262	Annuity
The Source	2.43%	17/12/2015	17/12/2025	£8,144	Annuity
			Sub-Total	**£1,891,641**	
Hastings Housing Company					
Hastings Housing Company - Loan 1	4.48%	28/02/2018	28/02/2058	£784,676	Maturity
Hastings Housing Company - Loan 2	4.84%	12/02/2019	12/02/2059	£344,810	Maturity
Hastings Housing Company - Loan 3	4.84%	13/06/2019	13/06/2059	£4,359,912	Maturity
			Sub-Total	**£5,489,398**	
			Total	**£7,381,039**	

46. The above table shows a series of loan to the Hastings Housing Company in respect of property purchases. As at 31 December 2022 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.

47. 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.

48. 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

49. 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.

50. The Council's General and Earmarked reserves are set to fall further over the forthcoming 12 months. The balance at 1 April 2022 was £30,604m (unaudited). This figure however includes a large amount of ringfenced reserves that can only be used for specific purposes, for example Disabled Facilities Grant moneys. Once these balances are removed the level of freely usable reserves falls to £12.035m. At the 31 March 2023 the estimated balance will be £9.705m with the balance at the end of 2023/24 forecast to reduce further unless sufficient budget savings are made.

51. 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

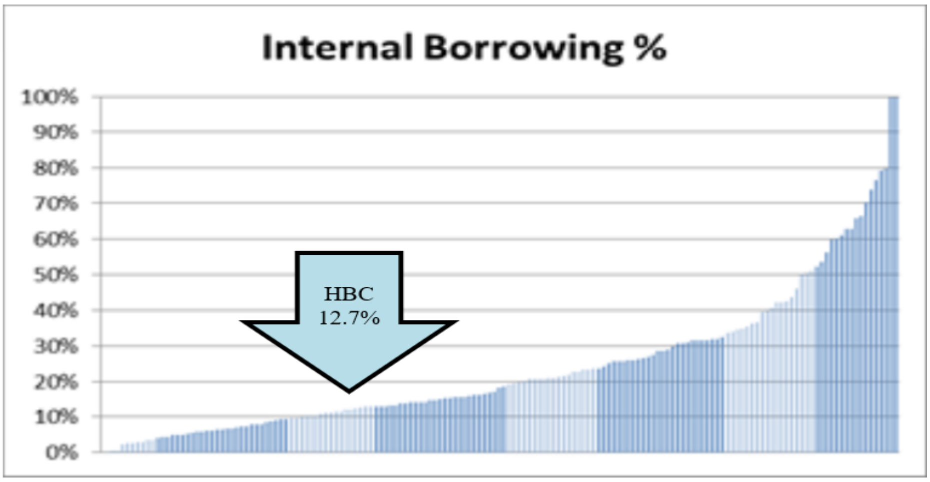
Internal Borrowing

52. 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.

53. 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)



54. 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.

55. For Hastings Borough Council it 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 having risen considerably from historic lows, and looking likely to increase further the Council will need to carefully consider when the best time to borrow is. Guidance from our external treasury managers will be sought before any borrowing decision are made.

56. For 2022/23 the level of internal borrowing by year end is expected to be £5.63m out of a total borrowing requirement of some £72.737m (7.7%).

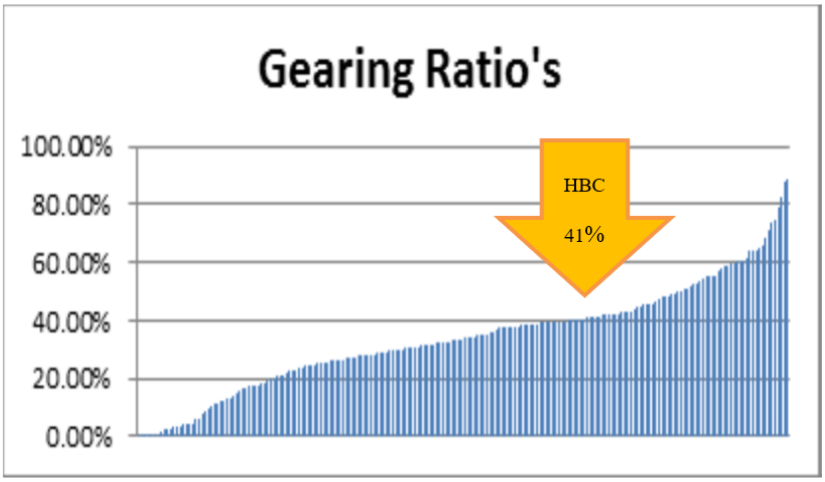
Gearing

57. 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.

58. 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.

59. 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)



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

61. 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%.

62. 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 usually 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 2020-21 £'000	Actual 2021-22 £'000	Estimate 2022-23 £'000	Estimate 2023-24 £'000	Estimate 2024-25 £'000	Estimate 2025-26 £'000	Operational Boundary £'000
Capital Expenditure			16,879	31,322	15,324	2,591	
New Borrowing			1,686	25,739	11,471	485	
Net Assets	88,861	108,409	125,288	156,610	171,933	174,524	218,872
Long Term Assets	182,088	185,420	202,299	233,621	248,944	251,535	295,883
Capital Financing Requirement	72,683	71,970	72,737	97,524	108,007	107,468	135,000
RATIOS:							
Debt: Net Assets	**82%**	**66%**	**58%**	**62%**	**63%**	**62%**	**62%**
Debt: Long Term Assets	**40%**	**39%**	**36%**	**42%**	**43%**	**43%**	**46%**

Note: Outturn figures for 2020/21 and 2021/22 are unaudited

63. The Council's position will move from 39% to 42% 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 the Operational Boundary (£135m), then debt to long term assets ratio could rise to 46%.

64. All decisions around 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.

65. 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.

66. 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

67. 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.

68. In Hasting's case the ratio of financing costs in 2023/24 represents, 20%, of the Net Revenue Stream which leaves 80% of the revenue stream for all the other

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

69. 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 40% by 2025/26).

70. 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.

71. 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.

Corporate Governance Arrangements – Project Approval Process

72. The Council has an ambitious Corporate Plan, and it remains important that the capital programme remains realistic in terms of resources and timescales to achieve the desired outcomes.

73. The Council has a number of project management procedures and tools in place for managing individual projects. Key is the project initiation stage, the approval process and thereafter effective performance monitoring and reporting. A business case is required and a detailed report to Cabinet/Council. Any new Capital proposal requires full Council approval.

74. Major projects are likely to have impacts on other key services such as Legal, Finance and Estates teams depending upon the nature of the projects. External support is commissioned where there is insufficient capacity, knowledge, or expertise within the Council. Cabinet and the Overview and Scrutiny Committee receive quarterly updates on financial performance (including the capital programme).

75. 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.

Repair and Renewal Programme

76. 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 there was expenditure of £658,026, for 2022/23 the budgeted expenditure amounts to £547,700 and in 2023/24 it is estimated at £762,300. As a result of expenditure exceeding income the balance on the reserve is expected to fall from £1.471m at 31 March 2022 to some £923,300 by the end of March 2023.

Information Technology Reserve

77. 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.

78. 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.

79. The Council contributes £189,000 p.a. into the fund. The expenditure in 2021/22 amount to £230,300 and is estimated at £214,000 in 2022/23 and £214,000 in 2023/24 (see budget).

Knowledge, Skills and Training

80. 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.

81. 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.

82. 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.

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

Chief Finance Officer Report

84. Within the Prudential Code it is the responsibility of the Chief Finance Officer to explicitly report on the delivery, affordability and associated risks to the strategy.

Delivery

85. The Council, which has significant deprivation levels, understandably has an ambitious Corporate Plan. This is set against a background of severe funding reductions, and the need to provide good services to the many visitors, residents and businesses.

86. The delivery of the individual schemes in the Capital Programme are directly linked to the original approval and business case for each individual project which has an assigned project manager responsible for delivery.

87. As part of the quarterly financial update report the performance of individual projects are presented to Overview and Scrutiny along with all other financial performance.

Affordability

88. Affordability is critical in applying the capital strategy and approving projects for inclusion in the capital plan. This is mostly demonstrated by a specific report on the project being presented to council for approval supported by a business case identifying the expenditure and funding, appraisal of alternative options and the risks and rewards for the approval of the scheme.

89. 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.

90. Where borrowing is to be used, the affordability is key, and that affordability has to include the interest costs of that borrowing and the provision for the repayment of the borrowing. This repayment is matched to a prudent asset life and any income streams estimated to fund this asset must be sustainable. The “rules” around the governance of this borrowing is outlined in the prudential code.

91. At no stage should the asset value be lower than the value of outstanding debt, other than for a short period, unless there is a clear plan to mitigate that shortfall or to sell that asset.

92. 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. The Council must look to achieve a sustainable and balanced budget in future years, and reduce its reliance on drawing down from its Reserves.

Risks

93. The risks associated with individual projects are identified and mitigated as part of the initial business case development stage and reported through both the financial reporting process to Overview and Scrutiny as well as being included as part of the Corporate Risk Register.

94. There are clear links from the capital plan to both the treasury management strategy, prudential indicators, authorised borrowing limits and the revenue budget. These are also subject to review and oversight by members at Audit Committee and Council.

95. For any new borrowing, and this is a greater risk as the value of borrowing increases, this increases the councils overall liabilities that will need to be repaid in the future. In addition this increases the Council's level of fixed interest and repayment costs that it will incur each year. This is a clear risk that all members need to be aware of.

96. However, this risk for all assets is mitigated by a robust business case and a full MRP that will repay the borrowing costs over a (prudent) asset life. Any variation in expected income is an issue, however given the wide range of operational assets and different income streams this is not considered a significant risk.

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.

Conclusion

98. The current system of borrowing is still a self-regulatory system which means that responsibility for borrowing decisions, and the level of borrowing incurred by a Council are determined at a local level.

"..the responsibility for decision making and ongoing monitoring in respect of capital expenditure, investment and borrowing, including prudential indicators, remains with full Council". (Prudential Code December 2017).

99. The Chief Finance Officers' personal view is that borrowing decisions result in a long-term commitment to fund that borrowing, and that all decisions are made as a whole programme perspective and not on an individual basis.

100. However, for transparency and ease of comparison between projects, indicative full figures for borrowing will always be included in all business cases brought forward for decision making regardless of whether or not borrowing will actually be required.

Consultation and Communication

101. 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.

102. The draft budget for 2023/24 is subject to public consultation from January 2023.

Equality Impact Assessment

103. 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	**2021/22 Actual**	**2022/23 Estimate**	**2023/24 Estimate**	**2024/25 Estimate**	**2025/26 Estimate**
Financing Costs	£'000	£'000	£'000	£'000	£'000
1. Interest Charged to General Fund	1,825	1,847	2,811	3,681	3,665
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	(540)	(808)	(824)	(618)	(618)
5. Amounts payable or receivable in respect of financial derivatives	-	-	-	-	-
6. Minimum Revenue Provision (MRP) / Voluntary Revenue Provision (VRP)	1,668	920	995	1,168	1,287
7. Depreciation/Impairment that are charged to the amount to be met from government grants and local taxpayers	-	-	-	-	-
Total	2,953	1,959	2,982	4,231	4,334
Net Revenue Stream Amount to be met from government grants and local taxpayers	14,253	14,530	14,821	15,117	15,420
Ratio **Financing Cost to Net Revenue Stream**	**21%**	**13%**	**20%**	**28%**	**28%**

Note: Outturn figures for 2021/22 are unaudited

Treasury Management Strategy (TMS) for 2023/24

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 2023/24 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. CIPFA published the revised Codes on 20th December 2021 and has stated that revisions need to be included in the reporting framework from the 2023/24 financial year. The Council, therefore, 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.

7. The revised Treasury Management Code requires all investments and investment income to 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 an authority’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.

8. The revised Treasury Management Code will requires an authority to implement the following: -

    1. **Adopt a new liability benchmark treasury indicator** to support the financing risk management of the capital financing requirement; this is to be shown in chart form for a minimum of ten years, with material differences between the liability benchmark and actual loans to be explained;

    2. **Long-term treasury investments**, (including pooled funds), are to be classed as commercial investments unless justified by a cash flow business case;

    3. **Pooled funds** are to be included in the indicator for principal sums maturing in years beyond the initial budget year;

    4. Amendment to the **knowledge and skills register** for officers and members involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each authority;

    5. **Reporting to members is to be done quarterly.** Specifically, the Chief Finance Officer (CFO) is required to establish procedures to monitor and report performance against all forward-looking prudential indicators at least quarterly. The CFO is expected to establish a measurement and reporting process that highlights significant actual or forecast deviations from the approved indicators. However, monitoring of prudential indicators, including forecast debt and investments, is not required to be taken to full Council and should be reported as part of the authority’s integrated revenue, capital and balance sheet monitoring;

    6. **Environmental, social and governance (ESG)** issues to be addressed within an authority’s treasury management policies and practices (TMP1).

9. The main requirements of the Prudential Code relating to service and commercial investments are: -

    1. The risks associated with service and commercial investments should be proportionate to their financial capacity – i.e. that plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services;

    2. An authority must not borrow to invest for the primary purpose of commercial return;

3. It is not prudent for local authorities to make any investment or spending decision that will increase the CFR, and so may lead to new borrowing, unless directly and primarily related to the functions of the authority, and where any commercial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose;

4. An annual review should be conducted to evaluate whether commercial investments should be sold to release funds to finance new capital expenditure or refinance maturing debt;

5. A prudential indicator is required for the net income from commercial and service investments as a proportion of the net revenue stream;

6. Create new Investment Management Practices to manage risks associated with non-treasury investments, (similar to the current Treasury Management Practices).

10. An authority's Capital Strategy or Annual Investment Strategy should include: -

1. The authority's approach to investments for service or commercial purposes (together referred to as non-treasury investments), including defining the authority's objectives, risk appetite and risk management in respect of these investments, and processes ensuring effective due diligence;

2. An assessment of affordability, prudence and proportionality in respect of the authority's overall financial capacity (i.e. whether plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services);

3. Details of financial and other risks of undertaking investments for service or commercial purposes and how these are managed;

4. Limits on total investments for service purposes and for commercial purposes respectively (consistent with any limits required by other statutory guidance on investments);

5. Requirements for independent and expert advice and scrutiny arrangements (while business cases may provide some of this material, the information contained in them will need to be periodically re-evaluated to inform the authority's overall strategy);

6. State compliance with paragraph 51 of the Prudential Code in relation to investments for commercial purposes, in particular the requirement that an authority must not borrow to invest primarily for financial return;

11. As this Treasury Management Strategy Statement and Annual Investment Strategy deals solely with treasury management investments, the categories of service delivery and commercial investments should be addressed as part of the Capital Strategy report.

Background

12. The Council is required to operate a balanced budget, which broadly means that cash raised during the year 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.

13. 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 need of the Council, essentially the longer-term cash flow planning, to ensure that it can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet risk or cost objectives.

14. The contribution the treasury management function makes to the Council is critical, as the balance of debt and investment operations ensure liquidity or 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 in effect result in a loss to the General Fund Balance.

15. CIPFA defines treasury management as:

"The management of the local authority'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."

16. Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities.

Reporting Requirements

Capital Strategy

17. The CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare a Capital Strategy report which will provide the following: -

- a high-level 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.

18. The aim of the strategy is to ensure that all the councils's elected members fully understand the overall long-term policy objectives and resulting Capital Strategy requirements, governance procedures and risk appetite.

Treasury Management Reporting

19. 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 Annual 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. In addition the Council will report performance against all forward-looking prudential indicators quarterly as part of the quartetly budget monitoring process.

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.

20. The above reports are required to be adequately scrutinised before being recommended to the full Council. This role is undertaken by the Audit Committee.

21. Quarterly reports – In addition to the three major reports detailed above, from 2023/24 quarterly reporting (end of June/end of December) is also required. However, these additional reports do not have to be reported to full Council but do require to be adequately scrutinised. This role is undertaken by the Overview & Scrutiny Committee.

Key Notes to the Strategy

22. The key notes and changes from the previous year's strategy are:

1. The Council has not taken on any additional external borrowing in the last 12 months. The level of capital expenditure has been lower than forecast as a result of slippage in the capital programme 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 2023/24 and the years ahead. The borrowing limits proposed in the strategy have been increased to allow for the additional capital expenditure expected. If the business plans for the Town Deal projects involve additional borrowing by the council these limits will need to be reviewed and increased further.

2. 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.

3. 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).

4. Investment returns are increasing as the bank base rate is increasing rapidly. The investing enviroment ramins uncertain. The overall cash returns are expected to decrease as the Council's reserves decline.

5. 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

23. 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.

Environmental, Social & Governance (ESG) Considerations

24. This topic is becoming a more commonplace discussion within the wider investment community, including Local Authorities. While around two thirds of councils have declared a “climate emergency” to date, this has not translated into the incorporation of something more formal within their treasury-related Annual Investment Strategy. Changes to the CIPFA TM Code 2021 will see ESG incorporated into Treasury Management Practice 1. The following wording (page 18 of the Treasury Management Code) suggests the scope of what is included: “The organisation's credit and counterparty policies should set out its policy and practices relating to environmental, social and governance (ESG) investment considerations. This is a developing area, and it is not implied that the organisation’s ESG policy will currently include ESG scoring or other real-time ESG criteria at individual investment level.”

25. Furthermore, page 50 of the Treasury Management Code states “ESG issues are increasingly significant for investors and investment managers. This is better developed in equity and bond markets than for short-term cash deposits, and there is a diversity of market approaches to ESG classification and analysis. This means that a consistent and developed approach to ESG for public service organisations is currently difficult. Organisations are therefore recommended to consider their credit and counterparty policies in light of ESG information and develop their own ESG investment policies and treasury management practices consistent with their organisation’s own relevant policies, such as environmental and climate change policies.”

26. The most important issue is ensuring that there is a clear understanding of what “environmental, social and governance (ESG)” investment considerations means. It is about understanding the ESG “risks” that an entity is exposed to and evaluating how well it manages these risks, (all entities will be subject to these to one extent or other). It is NOT the same as Socially Responsible Investing, (typically where you apply negative screens), and equally, it is NOT the same as Sustainable Investing, (investing in products / companies based on expected sustainable and beneficial societal impact, alongside a financial return).

27. There is such a huge potential for misunderstanding which could have material unintended consequence i.e., limiting of potential counterparty options, thus decreasing diversification. The above could then lead to authorities widening credit criteria to take on more names, or those with a stronger “ESG” performance, which could then increase credit risk…which would place the cornerstone of prudent investing at risk.

28. The other factor, i.e., what local authorities can or already do to take this into account, is credit ratings. All the main agencies are now extoling how they incorporate ESG risks alongside more traditional financial risk metrics when assessing counterparty ratings. As such, you could argue that their incorporation is already being done, to an extent, by the use of mainstream rating agencies.

29. Also, a final note to point out is that given ESG risks are all about potential impact on entity enterprise value; the "G" is by far the most important one when considering treasury investments, the majority of which will be shorter-term in nature. This is because poor governance can have a more immediate impact on the financial circumstances of an entity and the potential for a default event that would impact the amount the local authorities receive back from their investments. Those financial institutions that are viewed as having poor/weak corporate governance are generally less well rated in the first instance or have a higher propensity for being subject to negative rating action. So, this element of ESG is of high importance to an investor that is following investment guidance with the security, liquidity and yield (SLY) principle at its core. Environmental & Social factors are also important, but more for the long-term impact, unless you are specifically going down the "impact" / "sustainable" type investment route…and there are not many options for that in respect of short-term investments.

PRUDENTIAL AND TREASURY LIMITS FOR 2023/24 TO 2025/26

The Council's Capital Position (Prudential Indicators)

30. The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

31. 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.

32. 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

33. This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. The table summarises how the capital expenditure plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

	Actual 2021/22 £'000s	Budget 2022/23 £'000s	Forcast 2022/23 £'000s	Budget 2023/24 £'000s	Budget 2024/25 £'000s	Budget 2025/26 £'000s
Capital Expenditure	**4,614**	**21,746**	**16,879**	**31,322**	**15,324**	**2,591**
Financed by:						
Capital receipts	60	5,500	5,500	50	50	50
Capital grants	3,192	6,930	9,693	5,533	3,803	2,056
Reserves	407	0	0	0	0	0
Revenue	0	0	0	0	0	0
Borrowing	**955**	**9,316**	**1,686**	**25,739**	**11,471**	**485**

Capital Expenditure – Financing

34. 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. If capital receipts can be generated from asset sales the amount of borrowing shown above may decrease.

35. The schemes in the capital programme which are expected to require financing (at least in part) from borrowing in 2023/24 are:

- Cornwallis Street Development (£8.4m)
- Housing Acquisition Programme 50 units of Temporary Accomodation (£5.9m)
- Mayfield E – Housing (£4.5m)
- Bexhill Road South (£2.5m)
- Energy – Unallocated (£2.3m)
- Cliff Railways (£1m)
- Annual programme of roof refurbishment (£700k)
- Grounds Maintenance Equipment (£626k)
- Energy – Solar Panels (£500k)
- Priory Meadow Contribution to Capital Works (£288k)
- Restoration of Pelham Crescent / Pelham Arcade (£350k)
- Conversion of 12-13 York Buildings (£74k)
- Groyne Refurbishment (£35k)

Impact on the prudential indicators

36. 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	2021/22	2022/23	2023/24	2024/25	2025/26
	£'000	£'000	£'000	£'000	£'000
Debt	110,000	110,000	135,000	135,000	135,000
Other long term liabilities	5,000	5,000	5,000	5,000	5,000
TOTAL	115,000	115,000	140,000	140,000	140,000

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

Operational Boundary	2021/22	2022/23	2023/24	2024/25	2025/26
	£'000	£'000	£'000	£'000	£'000
Debt	105,000	105,000	130,000	130,000	130,000
Other long term liabilities	5,000	5,000	5,000	5,000	5,000
TOTAL	110,000	110,000	135,000	135,000	135,000

37. 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’.

38. 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).

39. 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.

40. 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.

41. Given the current level of capital expenditure plans for the years ahead it is recommened that the limits are each increased by £25m to allow sufficient headroom for our capital aspirations.

PROSPECTS FOR INTEREST RATES

42. The Council has appointed Link Group, Link Treasury Services Limited as its external treasury management advisor. Part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 19/12/2022. These are forecasts for certainty rates, gilt yields plus 80 bps.The table below provides an overview (please also see Appendix 2).

Link Group Interest Rate View	19.12.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.20	4.20	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.30	4.40	4.40	4.30	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.30
25 yr PWLB	4.60	4.60	4.60	4.50	4.40	4.20	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.30	4.30	4.20	4.10	3.90	3.80	3.70	3.60	3.50	3.30	3.20	3.20

43. 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.

44. The central forecast reflects a view that the MPC will be keen to demonstrate its anti-inflation credentials by delivering a succession of rate increases. This has happened throughout 2022, but the new Government's policy of emphasising fiscal rectitude will probably mean Bank Rate does not now need to increase to further than 4.5%.

45. Further down the road, we anticipate the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures have lessened – but that timing will be one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.

46. The CPI measure of inflation will peak at close to 11% in Q4 2022. Despite the cost-of-living squeeze that is still taking shape, the Bank will want to see evidence that wages are not spiralling upwards in what is evidently a very tight labour market. Wage increases, excluding bonuses, are currently running at 5.7%.

47. Regarding the plan to sell £10bn of gilts back into the market each quarter (Quantitative Tightening), this has started but will focus on the short to medium end of the curve for the present. This approach will prevent any further disruption to the longer end of the curve following on from the short-lived effects of the Truss/Kwarteng unfunded dash for growth policy.

48. In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but the on-going conflict between Russia and Ukraine. More recently, the heightened tensions between China/Taiwan/US also have the potential to have a wider and negative economic impact.

49. On the positive side, consumers are still estimated to be sitting on over £160bn of excess savings left over from the pandemic so that will cushion some of the impact of the above challenges. However, most of those are held by more affluent people whereas lower income families already spend nearly all their income on essentials such as food, energy and rent/mortgage payments.

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

Public Works Loan Board (PWLB) Rates

51. Yield curve movements have become less volatile under the Sunak/Hunt government. PWLB 5 to 50 years Certainty Rates are, generally, in the range of 3.75% to 4.50%. The medium to longer part of the yield curve is currently inverted (yields are lower at the longer end of the yield curve compared to the short to medium end).

52. Link Group view the markets as having built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate and the poor inflation outlook but markets are volatile and further whipsawing of gilt yields across the whole spectrum of the curve is possible.

The balance of risks to the UK economy:

53. The overall balance of risks to economic growth in the UK is to the downside. Indeed, the Bank of England projected two years of negative growth in their November Quarterly Monetary Policy Report.

Downside risks to current forecasts for UK gilt yields and PWLB rates include:

- Labour and supply shortages prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, rising gilt yields).

- The Bank of England acts too quickly, or too far, over the next two years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.

- UK / EU trade arrangements – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.

- Geopolitical risks, for example in Ukraine/Russia, China/Taiwan/US, Iran, North Korea and Middle Eastern countries, which could lead to increasing safe-haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates:

- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly and for a longer period within the UK economy, which then necessitates an even more rapid series of increases in Bank Rate faster than we currently expect.

- The Government acts too slowly to increase taxes and/or cut expenditure to balance the public finances, in the light of the cost-of-living squeeze.

- The pound weakens because of a lack of confidence in the UK Government's fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.

- Longer term US treasury yields rise strongly, if inflation numbers disappoint on the upside, and pull gilt yields up higher than currently forecast.

54. **Borrowing advice from Link Group:** Our long-term (beyond 10 years) forecast for Bank Rate stands at 2.5%. As all PWLB certainty rates are now above this level, borrowing strategies will need to be reviewed in that context. Better value can generally be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should be considered. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive whilst the market waits for inflation, and therein gilt yields, to drop back later in 2023.

55. Link Group's suggested budgeted earnings rates for investments up to about three months' duration in each financial year are as follows: -

Average earnings in each year	
2022/23 (remainder)	3.95%
2023/24	4.40%
2024/25	3.30%
2025/26	2.60%
2026/27	2.50%
Years 6 to 10	2.80%
Years 10+	2.80%

56. As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

57. Link Group's interest rate forecast for Bank Rate is in steps of 25 bps, whereas PWLB forecasts have been rounded to the nearest 10 bps and are central forecasts within bands of + / - 25 bps. Naturally, Link Group continue to monitor events and will update their forecasts as and when appropriate.

BORROWING STRATEGY

58. 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

59. The Council's forecast debt position for 31 March 2023, if no further borrowing is taken for the rest of the financial year, as at 12 January 2023, amounted to £65.4m (See Table 1 below).

Table 1 - Borrowing

Debt	1 April 2022 Principal	Start Date	Maturity Date	31 March 2023 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)	£125,981	21/03/2016	20/03/2026	£95,262	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)	£6,772,356	01/06/2017	01/06/2057	£6,652,722	2.53%
PWLB (Annuity)	£7,860,481	22/11/2017	22/11/2057	£7,729,610	2.72%
PWLB	£2,000,000	12/12/2018	12/06/2028	£2,000,000	1.98%
PWLB (Annuity)	£3,820,026	13/12/2018	13/12/2058	£3,756,930	2.55%
PWLB (Annuity)	£2,387,758	31/01/2019	31/01/2059	£2,348,400	2.56%
PWLB (Annuity)	£4,273,795	31/01/2019	31/01/2069	£4,226,034	2.56%
PWLB (Annuity)	£8,976,150	20/03/2019	20/03/2059	£8,827,583	2.54%
PWLB (Annuity)	£4,649,533	02/09/2019	02/09/2069	£4,587,401	1.83%
PWLB	£2,000,000	13/01/2022	13/01/2062	£2,000,000	1.89%
Total Debt	**£66,063,342**			**£65,421,204**	**2.81%**

60. The Council has loaned money to four other organisations. Six 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 31/03/2023 £	Type
Amicus /Optivo	3.78%	04/09/2014	02/09/2044	£1,788,235	Maturity
The Foreshore Trust	1.66%	21/03/2016	20/03/2026	£95,262	Annuity
The Source	2.43%	17/12/2015	17/12/2025	£8,144	Annuity
			Sub-Total	**£1,891,641**	
Hastings Housing Company					
Hastings Housing Company - Loan 1	4.48%	28/02/2018	28/02/2058	£784,676	Maturity
Hastings Housing Company - Loan 2	4.84%	12/02/2019	12/02/2059	£344,810	Maturity
Hastings Housing Company - Loan 3	4.84%	13/06/2019	13/06/2059	£4,359,912	Maturity
			Sub-Total	**£5,489,398**	
			Total	**£7,381,039**	

61. 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.

62. Borrowing from the PWLB was taken to fund the loans to Hastings Housing Company Ltd (HHC). The three loans, totalling £5,489,398, are maturity loans and will be due for repayment by HHC at the end of their term.

Borrowing Limit – Capital Financing Requirement (CFR)

63. The second prudential indicator is the Authority's Capital Financing Requirement (CFR). The CFR 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.

64. The Council has at the time of writing some £65.4m of PWLB debt. To borrow for the remainder of the 2022/23 capital programme i.e. up to the projected level of the CFR (£78.2m) it would need to borrow a further £12.8m by the end of March 2023. The Capital Financing Requirement has increased significantly over the last few years. It is expected to reach some £110.3m by 2024/25 (based on the capital programme).

65. 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 2022/23 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.

66. 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.

67. 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).

68. 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.

69. 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 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.

70. 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 increasing and forecast to increase further over the coming years, the Council will need to externalise some of this internal borrowing. This process has already begun with the Council taking a new £2m, 40 year maturity loan from the PWLB on 13th January 2022. The rapid rate of the rise of interest rated during 2022 has caught the Council somewhat off guard with the potential cost of borrowing now jepodising some capital schemes.

71. 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. The Chief Finaince Officer will make these dicisions in conjunction with advice and guidance from our treasury advisors. Current guidance suggest that interest rates will peak in December 2023 so the strategy will be looking at untalising internal borrowing as much as possible to see us through untill the expected lower rate environment. Where borrowing is required the option of borrowing short-term will be considered rather than locking into to higher rates for a prolonged period. Some longer term borrowing will be required and will be encouraged where affordable as it reduced the risk of future adverse movements in interest rates.

The table below provides an estimate of the Council's Capital Financing Requirement (CFR) for the current and next 3 years.

Table 3 - Capital Financing Requirement (CFR)

CFR	2021/22 (unaudited) £'000s	2022/23 (Estimate) £'000s	2023/24 (Estimate) £'000s	2024/25 (Estimate) £'000s	2025/26 (Estimate) £'000s
CFR-Opening	72,683	71,970	72,737	97,512	107,816
Less MRP	(1,668)	(919)	(964)	(1,168)	(1,287)
Plus New Borrowing	955	1,686	25,739	11,471	485
CFR Closing	**71,970**	**72,737**	**97,512**	**107,816**	**107,014**

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

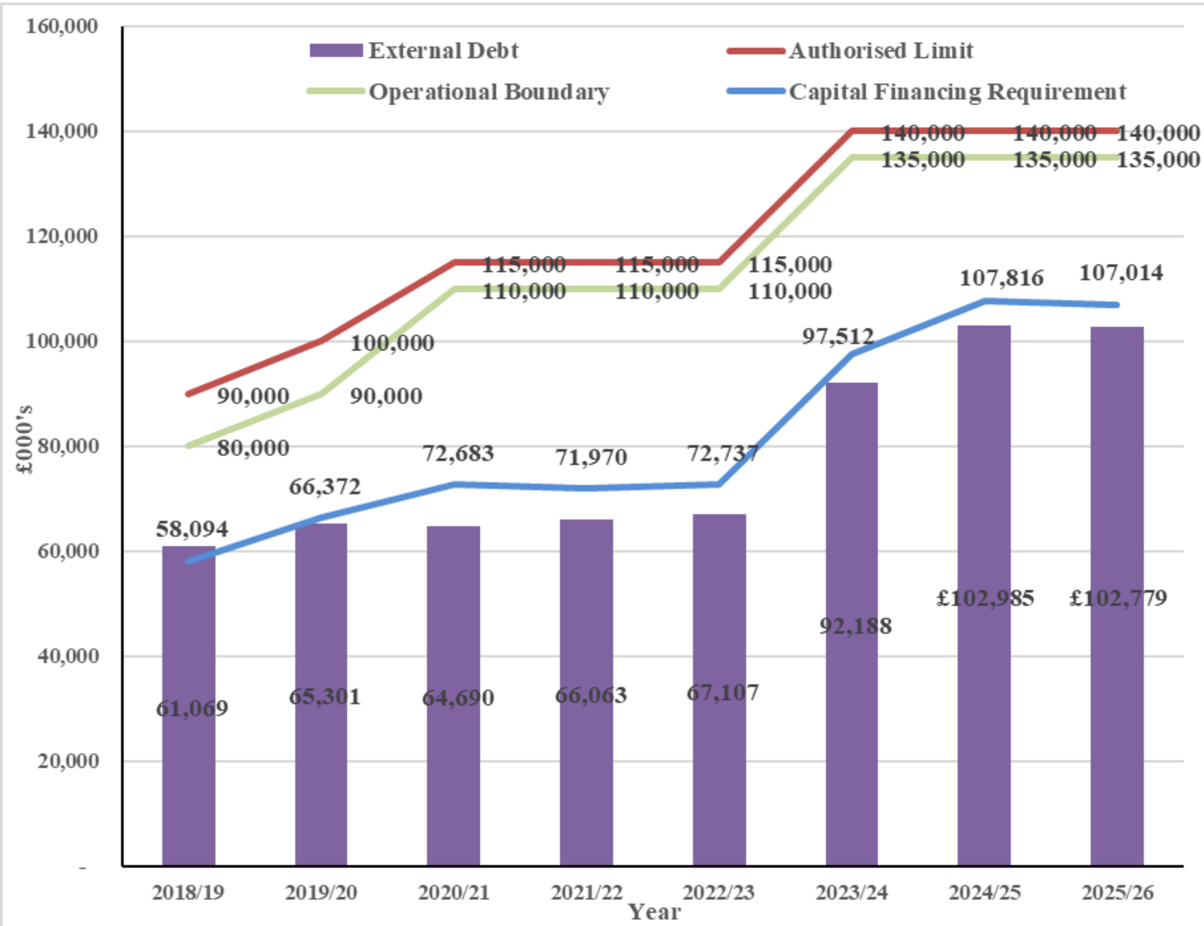
Table 4 - Council's Projected Gross Borrowing Position Against the CFR

Internal Borrowing	2020/21 Actual £000's	2021/22 Actual £000's	2022/23 Estimate £000's	2023/24 Estimate £000's	2024/25 Estimate £000's	2025/26 Estimate £000's
Capital Financing Requirement (CFR)	72,683	71,970	72,737	97,512	107,816	107,014
External Borrowing	64,690	66,063	67,107	92,188	102,985	107,014
Net Internal Borrowing	**7,994**	**5,907**	**5,630**	**5,324**	**4,831**	**0**

73. The Council is now (20 January 2023) maintaining an under-borrowed position.

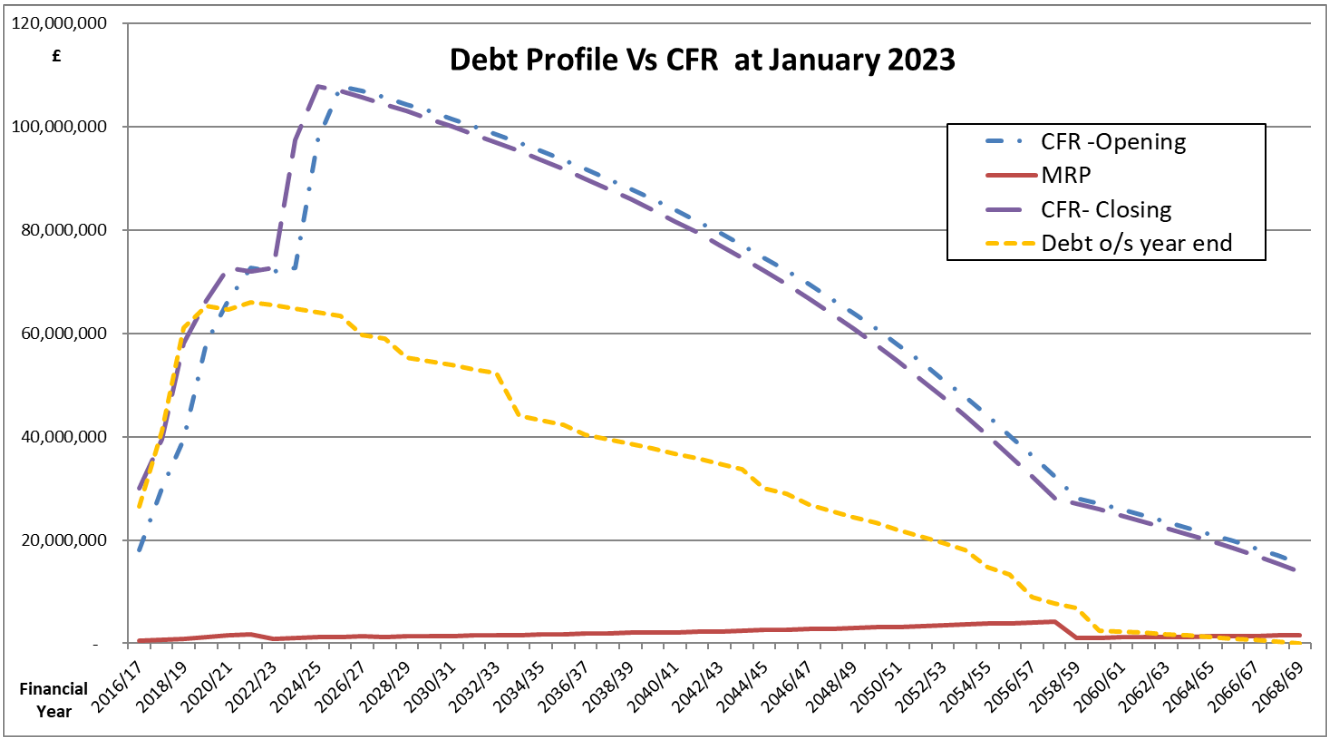
Borrowing activity is constrained by prudential indicators particularly the CFR, and by the authorised limit. The Council's long term borrowing must only be for a capital purpose. This essentially means that the Council is not borrowing to support revenue expenditure.

Table 5 - External Debt, Authorised Limits and CFR Projections



Debt Profile and CFR

74. 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).



75. The graph above is based on the current known capital programme up to 2025/26. 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.

Liability Benchmark

76. A third and new prudential indicator for 2023/24 is the Liability Benchmark (LB). The Authority is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum, however CIPFA strongly recommends that the LB is produced for at least 10 years and should ideally cover the full debt maturity profile of the local acthority.

77. There are four components to the LB:

1. **Existing loan debt outstanding**: the Authority's existing loans that are still outstanding in future years.

2. **Loans CFR**: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.

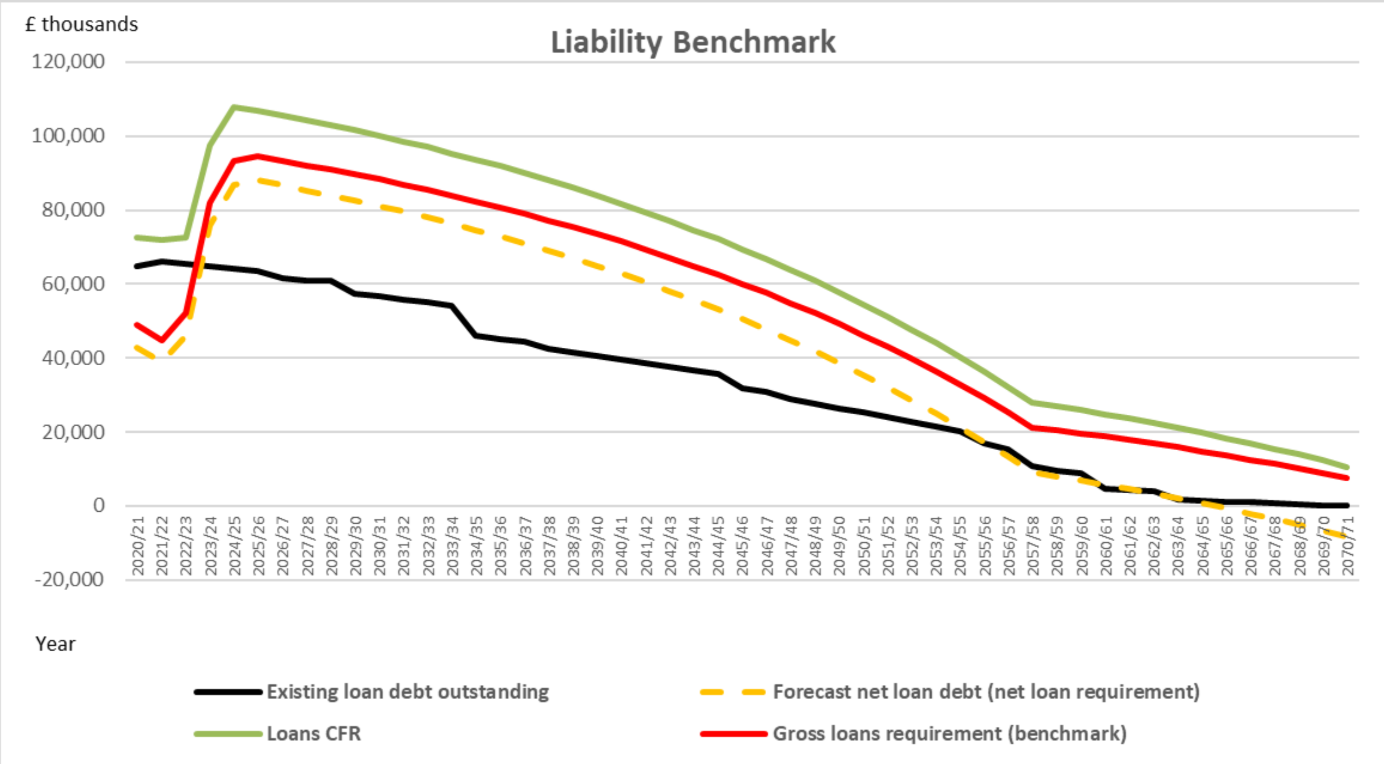
3. **Net loans requirement**: this will show the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.

4. **Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.

78. CIPFA notes on page 13 of the 2021 TM Code: "The liability benchmark should be analysed as part of the annual treasury management strategy, and any substantial

mismatches between actual loan debt outstanding and the liability benchmark should be explained. Any years where actual loans are less than the benchmark indicate a future borrowing requirement; any years where actual loans outstanding exceed the benchmark represent an overborrowed position, which will result in excess cash requiring investment (unless any currently unknown future borrowing plans increase the benchmark loan debt requirement). The treasury strategy should explain how the treasury risks inherent in these mismatched positions will be managed."

79. The Liability Benchmark for the Council is shown in the chart below.



80. Some analysis on the lines on the chart above is provided below:

- Existing Loan Debt Outstanding (black line) – The line shows the external loans that the Council has with the PWLB and how the value decreases over time as the principal is repaid.

- Loans CFR (green line) – This line shows the Capital Fainincing Requirement for the Council. The line decreases as annual MRP payments are made.

- Net Loan Debt (yellow dotted line) – This line shows the Council's debt (CFR) less the value of any external investments it has made i.e. the net debt. You can see that in 2065/66 the line goes below zero and becomes negative. This is because the value of external investments the council is forcasitng to be holding is greater that the level of debt that the council has.

- Groass loans requirement (red line) – this line very closely mirrors the Net Loan Debt (yellow dotted) line. It essentially shows the same thing but with an added liquidity allowance – essentially a working balance for the councils treasuty activities. This level has been set at £6m to match the councils minimum recommended level of reserves (but in the chart has been inflated by 2% annually so that it maintains it's value in real terms).

81. It should be noted that the Libality Benchmark is only a snapshot in time and as capital expendite plans evolve further borrowing is likely to be incurred which will increase the CFR and push the point at which the lines move towards zero further out into future years.

Borrowing – Overall Limits

82. 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 50 years would currently cost the Council some 5.5% p.a. (based on a annuity loan with a 5% interest rate) i.e. £55,000 p.a.

83. 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

84. 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

85. 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

86. 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 lower levels. The timing of new borrowing is therefore important to minimise the overall costs to the Council.

87. 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 further the Council is considering externalising some of the internal debt to lock in rates at lower levels.

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

Summary

89. No new external borrowing has been taken over the last 12 months but instead the council has been utalising internal borrowing to minimise interest costs.

90. 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 have been 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.

91. For the last few years 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 2022/23 and may need to borrow before March 2023. 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.

92. 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.

93. 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

94. 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.

95. 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.

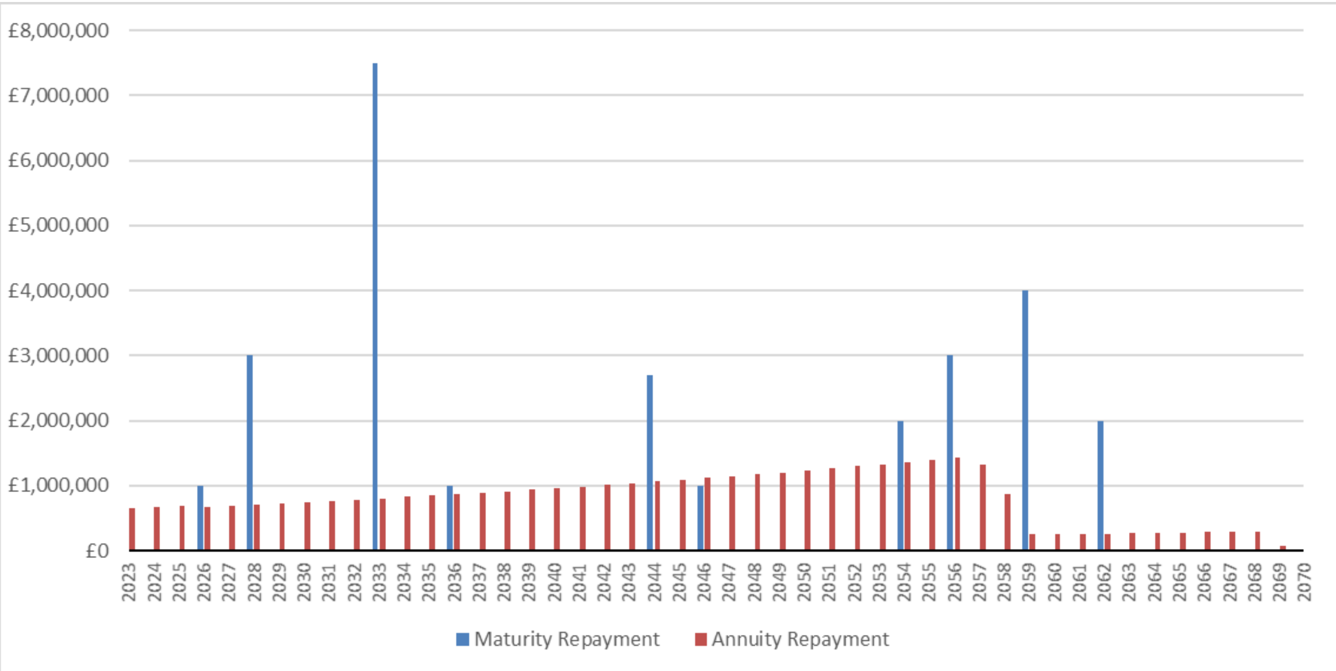
e. consider the appropriate funding period.

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.

96. Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

Debt Maturity

97. 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.



98. 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

99. 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. No debt rescheduling is being contemplated at present.

100. 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).

101. If rescheduling is to be undertaken, it will be reported to the Audit Committee and Cabinet, at the earliest meeting following its action.

Other Source of Borrowing

102. Currently the PWLB Certainty Rate is set at gilts + 80 basis points. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons:

- Local authorities (primarily shorter dated maturities out to 3 years or so – generally still cheaper than the Certainty Rate).
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a "cost of carry" or to achieve refinancing certainty over the next few years).
- UK Municipal Bonds Agency and UK Infrastructure Bank

103. Our advisors will keep us informed as to the relative merits of each of these alternative funding sources.

Minimum Revenue Provision (MRP)

104. 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.

105. 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).

106. The MRP for 2023/24 is estimated at £995,000 (the statutory charge to revenue that remains within the accounts).

107. The Government are consulting on amendinig MRP regulations/guidance for England. One of the revisions likely is 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. The latest information we have is that any changes to the guidance will take effect from 2024/25 at the earliest.

ANNUAL INVESTMENT STRATEGY

Investment Policy

108. 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.

109. 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 Code") and the CIPFA Treasurym Management Guidance Notes 2021.

110. The Council's investment priorities will be security first, portfolio liquidity second, and then yield (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.

111. In the current economic climate, it is considered appropriate to maintain a degree of liquidity to cover cash flow needs but to also consider "laddering" investments for periods up to 12 months with high credit rated financial institutions, whilst investment rates remain elevated, as well as wider range fund options.

112. The above guidance from the DLUHC and CIPFA places a high priority on the management of risk. This Council has adopted a prudent approach to managing risk and defines its risk appetite by the following means:

a. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short-term and long-term ratings.

b. **Other information:** 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.

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

d. This Council has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in Appendix 5 under the categories of ‘specified’ and ‘non-specified’ investments.

   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.

e. **Lending limits**, (amounts and maturity), for each counterparty as set out in the creditworthiness policy below.

f. **Transaction limits** are set for each type of investment.

g. Investments will only be placed with counterparties from countries with a specified **minimum sovereign rating**.

h. This Council has engaged **external consultants** (Link Group), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of the council in the context of the expected level of cash balances and need for liquidity throughout the year.

i. All investments will be denominated in **sterling**.

j. Consideration wil be given to organisations Environmental, Social & Governance (ESG) credentials, although no scoring will be applied.

k. As a result of the change in accounting standards for 2022/23 under IFRS 9, the Council will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the MHCLG, concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31/03/2023. In December 2022 a further extension to the over-ride was agreed by Government until 31/03/2025.

113. However, the Council will also pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance. Regular monitoring of investment performance will be carried out during the year.

114. There are no changes in our risk management policy and the above criteria remain unchanged from last year.

115. 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.

116. 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

117. The 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 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.

118. 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.

119. 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

120. 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.

121. 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.

122. 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.

123. 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. If a downgrade results in the counterparty / investment scheme no longer meeting the Authority's minimum criteria, its further use as a new investment will be withdrawn immediately.

124. 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.

125. 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

126. 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.

127. As at 1 December 2022 the Council had balances amounting to £35.7m. The monies held are higher than would normally be expected and include monies that the Council is holding in respect of a number of grant schemes.

128. 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 now again in the position to ensure that its cash balances are spread across numerous counterparties.

129. 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.

130. The Eurozone and Brexit led to a number of downgrades to banks' credit ratings, making it increasingly difficult at times to spread investments across a number of institutions. The Chief Finance Officer has the authority to amend the limits on a daily basis if necessary, to ensure that monies can be placed with appropriate institutions. The use of Money Market funds is anticipated and the Council is in the process of getting setup on a portal to allow access to a diversified range of money market funds from different providers.

131. 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.

Investment Strategy – Property Fund

132. 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	Sep-22	Jun-22	Mar-22	Mar-21	Mar-20	Mar-19	Mar-18	Apr-17
Offer Price p	371.27	387.73	368.46	313.45	315.7	327.4	322.40	307.19
Net Asset Value p	347.79	363.21	345.17	293.63	295.74	306.7	302.01	287.77
Bid Price p	342.40	357.58	339.82	289.08	291.15	301.95	297.33	283.31
Dividend* on XD Date p	3.26	2.8523	2.7875	2.9797	3.25	3.31	3.21	-
Dividend* - Last 12 Months p	11.78	11.21	11.22	12.63	13.06	13.08	13.70	13.19
Dividend Yield on NAV %	3.39	3.09	3.13	4.3	4.41	4.26	4.54	4.58

133. The dividend yield is currently around 3.4% p.a. on the net asset value. Dividends for the first 2 quarters of 2022/23 amount to £39,811 (£36,178 at the same point last year). Full year dividends for 2022/23 are estimated at around £80,300 and a similar return is anticipated for 2023/24.

Table 7: CCLA - Property Fund Capital Value

Units (651,063)	Sep-22	Jun-22	Mar-22	Mar-21	Mar-20	Mar-19	Mar-18	Apr-17
Mid Market Price(£)	2,264,332	2,364,726	2,247,274	1,911,716	1,925,454	1,996,810	1,966,275	1,873,564
Bid Price (£)	2,229,240	2,328,071	2,212,442	1,882,093	1,895,570	1,965,885	1,935,806	1,844,527

134. The Capital value has increased by 20.86% between April 2017 and September 2022 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

135. 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.

136. 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 was valued at £2,717,180 on 30 September 2022 (9.4% below the initial investment amount). Dividend yield on price was at 2.79% for September 2022 (2.6% September 2021). Dividends payable for the first 2 quarters of 2022/23 amount to £44,402 (£39,614 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

137. As the Bank of England (BOE) has increased interest rates investment returns have increased in line with the increase in base rate. Investment returns are likely to increase further as additional increases in the base rate are anticipated. 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

138. Bank Rate is forecast to peak at 4.5% in the second quarter of 2023 then gradually reduce over the following years. However, as has been seen during 2022 the financial position can often change quickly, and the Council needs to be prepared for increases in rates. The historic low interest rates that we have been accustomed to have now gone and we may never see rates at those levels again.

139. 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

140. 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.

141. 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.

Treasury Management Reporting

142. 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

143. 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

144. 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.

145. Furthermore, the Code state that they expect "all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.

146. As a minimum, authorities should carry out the following to monitor and review knowledge and skills:

- Record attendance at training and ensure action is taken where poor attendance is identified.
- Prepare tailored learning plans for treasury management officers and key members.
- Require treasury management officers and key members to undertake self-assessment against the required competencies.
- Have regular communication with officers and key members, encouraging them to highlight training needs on an ongoing basis.

147. Treasury Management Training was offered to all members on 10th January 2022 and the following year on 11th January 2023. Further training will be arranged as required.

148. The training needs of treasury management officers are periodically reviewed.

149. A formal record of the training received by officers and members central to the Treasury function is maintained by the Deputy Chief Finance Officer.

MiFID II (Markets in Financial Instruments Directive)

150. 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.

151. 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.

152. 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

153. Please see Appendix 9.

Role of the Section 151 Officer

154. 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
Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, where the Authority has financed capital expenditure by borrowing it is required to make a provision each year through a revenue charge (MRP).

The Authority is required to calculate a prudent provision of MRP which ensures that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The MRP Guidance (2018) gives four ready-made options for calculating MRP, but the Authority can use any other reasonable basis that it can justify as prudent.

The MRP policy statement requires full Council approval in advance of each financial year.

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 2023/24

Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, where the Authority has financed capital expenditure by borrowing it is required to make a provision each year through a revenue charge (MRP).

Regulation 28 of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) regulations 2008 require the Authority to calculate a prudent provision of MRP whilst having regard to the current MRP Guidance (2018). The broad aim of prudent provision is to ensure that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The Guidance gives four ready-made options for calculating MRP but the Authority can use any other reasonable basis that it can justify as prudent.

The MRP policy statement requires full Council approval in advance of each financial year.

It is recommended that Council approves the following MRP Policy Statement.

- Supported borrowing incurred before 1st April 2008 will apply the Asset Life Method using an annuity calculation over 50 years.
- Unsupported borrowing will be subject to MRP using the Asset Life Method, which will be charged over a period which is reasonably commensurate with the estimated useful life of the assets. An annuity method will be applied for the MRP calculation.
- The interest rate applied to the annuity calculations will reflect the market conditions at the time. For the 2023/24 financial year the interest rate used will be average PWLB rate for the year.
- MRP will commence in the financial year following the one in which the expenditure was incurred, or in the year after the asset becomes operational.
- MRP in respect of unsupported borrowing taken to meet expenditure, which is treated as capital expenditure by virtue of either a capitalisation direction or regulations, will be determined in accordance with the asset life method as recommended by the MRP guidance.
- MRP in respect of assets acquired under PFI or Finance Leases will be charged at a rate equal to the principal element of the annual lease rental for the year in question.
- MRP Overpayments - The MRP Guidance allows that any charges made in excess of the statutory MRP, i.e. voluntary revenue provision (VRP) or overpayments, can be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. The VRP overpayments up to 31st March 2022 are £0.
- On an annual basis the Section 151 Officer shall review the level of MRP to be charged, to determine if this is at a level which is considered prudent based on the Authority's circumstances at that time, taking into account medium / long term financial plans, current budgetary pressures, current and future capital expenditure plans. Dependant on this review the Section 151 officer will adjust the annual MRP charge by making VRP or reclaiming previous VRP. The amount of MRP charged shall not be less than zero in any financial year.

APPENDIX 2 - Interest Rate Forecasts

Link Group Interest rate forecast – Dec 2022 – March 2025

Link Group Interest Rate View	19.12.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.20	4.20	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.30	4.40	4.40	4.30	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.30
25 yr PWLB	4.60	4.60	4.60	4.50	4.40	4.20	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.30	4.30	4.20	4.10	3.90	3.80	3.70	3.60	3.50	3.30	3.20	3.20

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)

ECONOMIC BACKGROUND

Against a backdrop of stubborn inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, it is no surprise that UK interest rates have been volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2022.

Market commentators' misplaced optimism around inflation has been the root cause of the rout in the bond markets with, for example, UK, EZ and US 10-year yields all rising by over 200bps since the turn of the year. The table below provides a snapshot of the conundrum facing central banks: inflation is elevated but labour markets are extra-ordinarily tight, making it an issue of fine judgment as to how far monetary policy needs to tighten.

	UK	Eurozone	US
Bank Rate	3.5%	2.0%	4.25%-4.50%
GDP	-0.2%q/q Q3 (2.4%y/y)	+0.2%q/q Q3 (2.1%y/y)	2.6% Q3 Annualised
Inflation	10.7%y/y (Nov)	10.1%y/y (Nov)	7.1%y/y (Nov)
Unemployment Rate	3.7% (Oct)	6.5% (Oct)	3.7% (Nov)

Q2 of 2022 saw UK GDP revised upwards to +0.2% q/q, but this was quickly reversed in the third quarter, albeit some of the fall in GDP can be placed at the foot of the extra Bank Holiday in the wake of the Queen's passing. Nevertheless, CPI inflation has picked up to what should be a peak reading of 11.1% in October, although with further increases in the gas and electricity price caps pencilled in for April 2023, and the cap potentially rising from an average of £2,500 to £3,000 per household, there is still a possibility that inflation will spike higher again before dropping back slowly through 2023.

The UK unemployment rate fell to a 48-year low of 3.6%, and this despite a net migration increase of c500k. The fact is that with many economic participants registered as long-term sick, the UK labour force actually shrunk by c£500k in the year to June. Without an increase in the labour force participation rate, it is hard to see how the UK economy will be able to grow its way to prosperity, and with average wage increases running at over 6% the MPC will be concerned that wage inflation will prove just as sticky as major supply-side shocks to food and energy that have endured since Russia's invasion of Ukraine on 22nd February 2022.

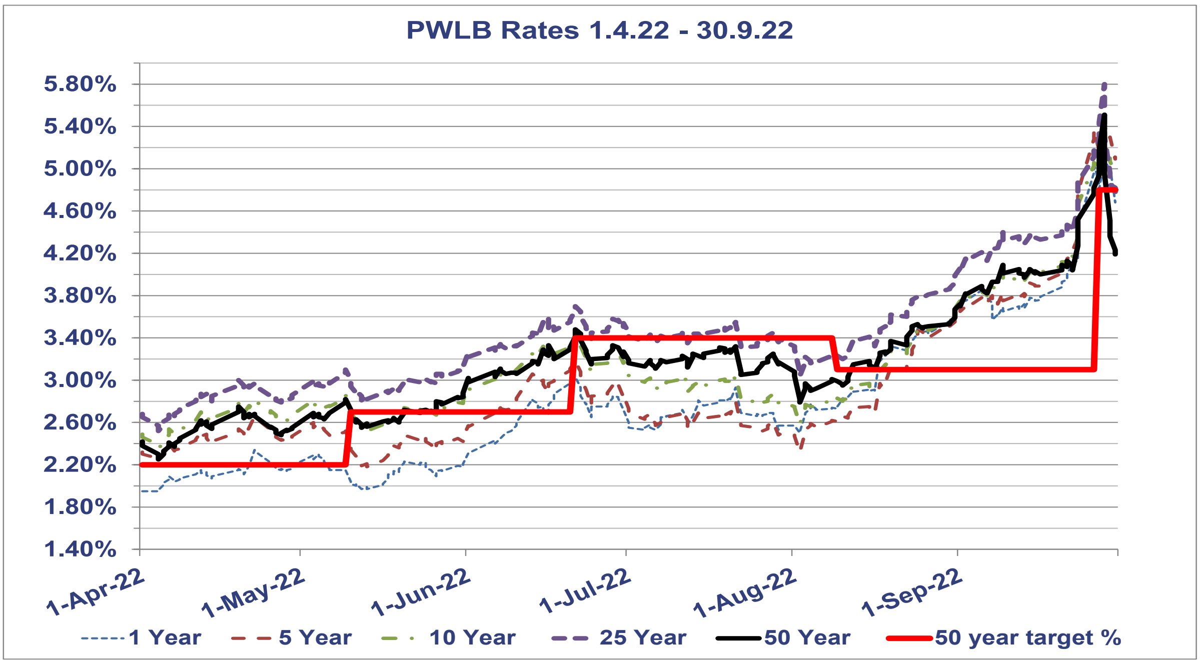
Throughout Q3 Bank Rate increased, finishing the quarter at 2.25% (an increase of 1%). Q4 has seen rates rise to 3% in November and the market expects Bank Rate to hit 4.5% by May 2023.

Following a Conservative Party leadership contest, Liz Truss became Prime Minister for a tumultuous seven weeks that ran through September and December. Put simply, the markets did not like the unfunded tax-cutting and heavy spending policies put forward by her Chancellor, Kwasi Kwarteng, and their reign lasted barely seven weeks before being replaced by Prime Minister Rishi Sunak and Chancellor Jeremy Hunt. Their Autumn Statement of 17th November gave rise to a net £55bn fiscal tightening, although much of the "heavy lifting" has been left for the next Parliament to deliver. However, the markets liked what they heard, and UK gilt yields have completely reversed the increases seen under the previous tenants of No10/11 Downing Street.

Globally, though, all the major economies are expected to struggle in the near term. The fall below 50 in the composite Purchasing Manager Indices for the UK, US, EZ and China all point to at least one if not more quarters of GDP contraction. In November, the MPC projected eight quarters of negative growth for the UK lasting throughout 2023 and 2024, but with Bank Rate set to peak at lower levels than previously priced in by the markets and the fiscal tightening deferred to some extent, it is not clear that things will be as bad as first anticipated by the Bank.

The £ has strengthened of late, recovering from a record low of $1.035, on the Monday following the Truss government's "fiscal event", to $1.20. Notwithstanding the £'s better run of late, 2023 is likely to see a housing correction of some magnitude as fixed-rate mortgages have moved above 5% and affordability has been squeezed despite proposed Stamp Duty cuts remaining in place.

In the table below, the rise in gilt yields, and therein PWLB rates, through the first half of 2022/23 is clear to see.



However, the peak in rates on 28th September as illustrated in the table covering April to September 2022 below, has been followed by the whole curve shifting ever lower. PWLB rates at the front end of the curve are generally over 1% lower now whilst the 50 years is over 1.75% lower.

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.95%	2.18%	2.36%	2.52%	2.25%
Date	01/04/2022	13/05/2022	04/04/2022	04/04/2022	04/04/2022
High	5.11%	5.44%	5.35%	5.80%	5.51%
Date	28/09/2022	28/09/2022	28/09/2022	28/09/2022	28/09/2022
Average	2.81%	2.92%	3.13%	3.44%	3.17%
Spread	3.16%	3.26%	2.99%	3.28%	3.26%

After a shaky start to the year, the S&P 500 and FTSE 100 have climbed in recent weeks, albeit the former is still 17% down and the FTSE 2% up. The German DAX is 9% down for the year.

CENTRAL BANK CONCERNS – NOVEMBER 2022

At the start of November, the Fed decided to push up US rates by 0.75% to a range of 3.75% - 4%, whilst the MPC followed a day later by raising Bank Rate from 2.25% to 3%, in line with market expectations. EZ rates have also increased to 1.5% with further tightening in the pipeline.

Having said that, the press conferences in the US and the UK were very different. In the US, Fed Chair, Jerome Powell, stated that rates will be elevated and stay higher for longer than markets had expected. Governor Bailey, here in the UK, said the opposite and explained that the two economies are positioned very differently so you should not, therefore, expect the same policy or messaging.

Regarding UK market expectations, although they now expect Bank Rate to peak within a lower range of 4.5% - 4.75%, caution is advised as the Bank of England Quarterly Monetary Policy Reports have carried a dovish message over the course of the last year, only for the Bank to have to play catch-up as the inflationary data has proven stronger than expected.

In addition, the Bank's central message that GDP will fall for eight quarters starting with Q3 2022 may prove to be a little pessimistic. Will the £160bn excess savings accumulated by households through the Covid lockdowns provide a spending buffer for the economy – at least to a degree? Ultimately, however, it will not only be inflation data but also employment data that will mostly impact the decision-making process, although any softening in the interest rate outlook in the US may also have an effect (just as, conversely, greater tightening may also).

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	2021/22	2022/23	2023/24	2024/25	2025/26
	£'000	£'000	£'000	£'000	£'000
Authorised Limit for external debt					
borrowing	110,000	110,000	135,000	135,000	135,000
other long term liabilities	5,000	5,000	5,000	5,000	5,000
TOTAL	115,000	115,000	140,000	140,000	140,000
Operational Boundary for external debt					
borrowing	105,000	105,000	130,000	130,000	130,000
other long term liabilities	5,000	5,000	5,000	5,000	5,000
TOTAL	110,000	110,000	135,000	135,000	135,000

Interest Rate Exposures	**2022/23 Upper**	**2023/24 Upper**	**2024/25 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 2023/24	**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 2023/24	**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	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Financing Costs	£'000	£'000	£'000	£'000	£'000
1. Interest Charged to General Fund	1,825	1,847	2,811	3,681	3,665
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	(540)	(808)	(824)	(618)	(618)
5. Amounts payable or receivable in respect of financial derivatives	-	-	-	-	-
6. Minimum Revenue Provision (MRP) / Voluntary Revenue Provision (VRP)	1,668	920	995	1,168	1,287
7. Depreciation/Impairment that are charged to the amount to be met from government grants and local taxpayers	-	-	-	-	-
Total	2,953	1,959	2,982	4,231	4,334
Net Revenue Stream Amount to be met from government grants and local taxpayers	14,253	14,530	14,821	15,117	15,420
Ratio **Financing Cost to Net Revenue Stream**	**21%**	**13%**	**20%**	**28%**	**28%**

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 some of 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 (at 02.12.2022)

Based on lowest available rating

AAA

- Australia
- Denmark
- Germany
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France

AA-

- Belgium
- Qatar
- **U.K.**

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 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 2021 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 sustainable, affordable and prudent in the long term and provides value for money.

3. ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority.

4. ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing.

5. ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources.

6. ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities.

7. provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees

8. ensuring that members are adequately informed and understand the risk exposures taken on by an authority.

9. ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above.

10. creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following): -

    - Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;

    - Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;

    - Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;

    - Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;

    - Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

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