

Council Meeting

**Wednesday, 20th
September, 2023**

HASTINGS BOROUGH COUNCIL

Dear Councillor

You are hereby summoned to attend a meeting of the Hastings Borough Council to be held at the Council Chamber, Muriel Matters House, Breeds Place, Hastings, East Sussex, TN34 3UY. Please enter the building through the Contact Centre entrance via the seafront., on Wednesday, 20th September, 2023 at 6.00 pm at which meeting the business specified below is proposed to be transacted.

Yours sincerely,

Chief Legal Officer

Muriel Matters House
Breeds Place
Hastings

12 September 2023

AGENDA

1. Apologies for Absence
2. To approve as a correct record the minutes of the last meeting
3. Declarations of Interest
4. Announcements from the Mayor and Leader
5. Questions (if any) from:
 - a) Members of the public under Rule 11
 - b) Councillors under Rule 12
6. Membership of Committees

To give effect to any request received from a political group for a change in their representation on committee(s).

7. Reports of Committees

- a) To resolve that the public be excluded from the meeting during the discussion of any items considered while the public were excluded by the relevant committee because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in the respective paragraphs of Schedule 12A to the Local Government Act 1972 referred to in the minutes of the relevant committee.
- b) To receive and consider the recommendations and any decisions of the following committees.

Minute No.	Subject	Cabinet Member / Chair
CABINET – 7 AUGUST 2023		
20.	Finance Peer Review	Barnett
21.	Land and Property Disposal Programme	Barnett
22. (C)	Treasury Management Update	Barnett
CABINET – 4 SEPTEMBER 2023		
27.	Financial Monitoring Report	Barnett
28.	Appointment of Cremator Maintenance Contractor (Part 1)	Roark
29. (C)	Cornwallis Street Hotel (Part 1)	Barnett
31. (E)	Appointment of Cremator Maintenance Contractor (Part 2)	Roark
32. (C)(E)	Cornwallis Street Hotel (Part 2)	Barnett

Notes:

1. The Mayor will call over the minutes and members will rise and indicate those items which they wish to have discussed.
2. No discussion shall take place at this stage upon part II minutes covered by the resolution 7a) above. Any such discussion shall be deferred to item 8 on the agenda.

C= Council decision

E= Exempt from publication

8. To consider the recommendations and decisions of committees (if any) which the Council has resolved should be discussed after the exclusion of the public from the meeting.

Note: Nothing contained in this agenda or in the attached reports and minutes of committees constitutes an offer or acceptance of an offer or an undertaking or contract by the Borough Council

Agenda Item 2 Public Document Pack

FULL COUNCIL

19 JULY 2023

Present: Councillors O’Callaghan (Chair), Bishop (Vice-Chair), Bacon, Barnett, Batsford, Beaney, Beaver, Cannan, Carr, Collins, Cooke, Edwards, Evans, Fernando, Foster, Haffenden, Hay, Hilton, Jobson, Patmore, Roark, Roberts, Rogers, Sinden, Turner, Webb, Williams and Willis.

In attendance: Mary Kilner (Chief Legal Officer), and Victoria Conheady (Deputy Chief Executive – Director of Place)

11. APOLOGIES FOR ABSENCE

Apologies for absence received from Councillors Arthur, Marlow-Eastwood, Pragnell and Rankin.

12. TO APPROVE AS A CORRECT RECORD THE MINUTES OF THE LAST MEETING

RESOLVED that the minutes of the Full Council meeting held on 24th May 2023 be signed by the Mayor as a correct record of the proceedings.

13. DECLARATIONS OF INTEREST

Councillor	Meeting	Item	Interest
Carr	Full Council, 19 th July	17. Motion	Personal – Parent of a trans child
Carr	Cabinet, 3 rd July	11. White Rock Theatre Options	Personal – Used to work at the White Rock Theatre

14. ANNOUNCEMENTS FROM THE MAYOR AND LEADER

The Leader of the Council announced recent changes to the allocation of Cabinet portfolios. Councillor Barnett takes over the finance portfolio and Councillor Willis is now responsible for housing and community development. Councillor Evans takes over the regeneration and climate change portfolio.

The Leader of the Council announced that from August the Cabinet agenda will include a 30 minute question time open to the public. No notice will be necessary, and residents can ask questions on any issue.

The Leader of the Council expressed frustration with Southern Water. East Sussex County Council have been unable to publish their report into the town centre flooding in January as Southern Water have not supplied all the relevant information to date. The Leader of the Council read out an open letter he will be sending to the CEO of

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Southern Water calling on him to make Hastings a priority and to work with local partners.

Councillor Beaver proposed a moment of reflection for Councillor Turner in light of his recent loss.

15. QUESTIONS (IF ANY) FROM:

15a) Members of the Public under Rule 11

A written question was received from Anna Sabin and a written response supplied by Councillor Batsford.

In a supplementary question Anna Sabin asked what is Hastings Borough Council doing to secure a safe cycle network in the town? Councillor Batsford replied that the County Council had decided that cycle paths are not economically viable to build. They have had funding for ten years to complete cycle routes in Hastings. This has been discussed at the cross-party active travel group and a letter will be formulated in response to East Sussex County Council. All councillors agree a shared aim to have a town with safe areas for walking and cycling.

A written question was received from Petra Gent and a written response supplied by Councillor Barnett.

A written question was received from Steve Foreman and a written response supplied by Councillor Batsford.

In a supplementary question Steve Foreman asked if, in relation to the walking and cycling strategy, action rather than words, and co-operation with the County Council, would achieve more? Councillor Batsford replied that East Sussex County Council are the responsible authority to deliver transport projects and referred to his previous answer.

A written question was received from Christopher Hurrell and a written response supplied by Councillor Rogers.

A written question was received from Myriam Lengline and a written response supplied by Councillor Roark.

In a supplementary question Myriam Lengline asked if Councillor Roark would write to Southern Water to ask if they skimmed or drained the ponds in question? Councillor Roark said she would be happy to talk to Southern Water about this issue.

A written question was received from Michelle O'Connor and a written response supplied by Councillor Roark.

A written question was received from Andrew Cordle and a written response supplied by Councillor Roark.

A written question was received from Tracy Knight and a written response supplied by Councillor Roark.

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A written question was received from Becca Horn and a written response supplied by Councillor Roark.

A written question was received from Joanne Walker and a written response supplied by Councillor Roark.

In a supplementary question Joanne Walker asked how many litter clean-up requests are received via MyHastings for the Ore area, and how much does it cost to send street cleaning crews out on request, rather than have regular street cleaning of the area? Councillor Roark said she would ask officers for this information. Hot spots are assessed by the team and if they felt there was more regular cleaning needed, they would act on that.

A written question was received from Daniel Hope and a written response supplied by Councillor Roark.

A written question was received from Adele Bates and a written response supplied by Councillor Roark.

In a supplementary question Adele Bates asked what the Council is doing to make sure Central St Leonards and Warrior Square are being given the same level of cleanliness as the rest of the town? Councillor Roark replied that Biffa are supposed to clean-up any waste they drop when collecting refuse, but a team may be needed to follow up and deal with other rubbish and fly-tipping.

15b) Councillors under Rule 12

Councillor Collins submitted a written question to Councillor Rogers, a written response was received and published on the Council's website.

In a supplementary question Councillor Collins asked if there will be sufficient time for consultation on the Local Plan? Councillor Rogers responded that time will be made available for Councillors to read and consult on the various documents forming the Local Plan.

Councillor Haffenden submitted a written question to Councillor Roark, a written response was received and published on the Council's website.

In a supplementary question Councillor Haffenden asked if Councillor Roark would look into alternatives to seagull-proof sacks and agree to trial these in Hastings? Councillor Roark replied that residents can use their own containers if they have space for them and she will talk to officers about alternative options.

Councillor Hilton submitted a written question to Councillor Rogers, a written response was received and published on the Council's website.

In a supplementary question Councillor Hilton asked if the videos of meetings which haven't yet been made available could be uploaded to the website? Councillor Rogers said she would have to speak to the IT team about what is already recorded and could be made available.

Councillor Jobson submitted a written question to Councillor Barnett, a written response was received and published on the Council's website.

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In a supplementary question Councillor Jobson asked if a template could be made available to support the local green projects applying for council support? Councillor Barnett responded that the ideas form will be paused for six months as there won't be officer capacity before January 2024 to assess those ideas. Councillor Roark clarified that in regard to Councillor Jobson's original question she did meet to discuss the project but made clear she could not approve the location of the orchard plot herself.

Questioner	Question	Reply given by
Councillor Patmore	<p>The Labour Cabinet voted in October 2018 to move the football ground from the Pilot Field to Bulverhythe. Does the current Leader of the Council agree with the 2018 decision that the Pilot Field site could provide much needed housing should a new location be found for Hastings United?</p> <p>Councillor Barnett replied he wasn't part of the Cabinet in 2018 and so is not aware of what information was available then, but he is more than happy with the decision that was taken this year.</p>	Councillor Barnett
Councillor Hilton	<p>Following the Cabinet reshuffle who is responsible for equalities and community development?</p> <p>Councillor Barnett confirmed that he was now leading on equalities and community development is part of Councillor Willis' portfolio</p>	Councillor Barnett
Councillor Turner	<p>Can you give us an update on the projects in Broomgrove?</p> <p>Councillor Batsford replied that funding from the UK Prosperity Fund is allocated for Broomgrove and community groups have been advising on how to spend the funds. A greening project has recently been agreed with Southern Housing.</p>	Councillor Batsford
Councillor Fernando	<p>Hastings remains the 13th most deprived town in England and faces a challenging situation with the early closure of local shops due to staff shortages. How does the Council plan to address this and encourage job creation and local employment opportunities?</p> <p>Councillor Barnett replied that skills will be high on the agenda of organisations across</p>	Councillor Barnett

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	<p>the town in coming years. There are ongoing discussions with the skills team at East Sussex County Council about the support needed in the town, particularly around the retail and hospitality sectors.</p>	
Councillor Beaver	<p>Will you give the same assurances regarding York Buildings as your predecessor?</p> <p>Councillor Willis replied that there is a need to move quickly on York Buildings, probably to dispose of the asset, but we need to wait for the full asset review to come forward from officers.</p>	Councillor Willis
Councillor Bacon	<p>How can we create a healthier Hastings?</p> <p>Councillor Batsford replied that he is incredibly proud of the new tennis courts in Alexandra Park and will also be working with local clubs to make sure local football pitches are fit for purpose. Hastings now is a priority area for the FA to invest in 3G football pitches.</p>	Councillor Batsford
Councillor Carr	<p>It was recently reported on social media that there would be an urgent Cabinet item on St Mary in the Castle. There is rumour that a buyer has been found. Can you tell us why we are not discussing St Mary in the Castle at this meeting?</p> <p>Councillor Barnett replied that negotiations are on going and there is not yet a report for Cabinet or Full Council to consider.</p>	Councillor Barnett
Councillor Cooke	<p>Can you explain your decision to sell York Buildings?</p> <p>Councillor Willis replied that there has not yet been a decision to explain and there needs to be a full analysis of the options.</p>	Councillor Willis
Councillor Edwards	<p>Do you not consider it might easier to find new contractors for the Harrow Lane site if you reduce the social housing element to the original 40%?</p> <p>Councillor Willis replied that the site is owned by Orbit and it would be for them to decide how to proceed.</p>	Councillor Willis
Councillor Haffenden	<p>There are strict rules for those in temporary accommodation. Can we review these rules</p>	Councillor Willis

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	<p>so that those in temporary accommodation have some quality of life?</p> <p>Councillor Willis replied that every aspect of the temporary accommodation challenge is being reviewed.</p>	
Councillor Foster	<p>I've had complaints from residents saying the Harrow Lane building site is defunct. Will you apologise for leaving residents with no green space and no houses?</p> <p>Councillor Willis said the Council should not apologise for doing everything within its power to create new housing. It is the highest priority for the community.</p>	Councillor Willis
Councillor Webb	<p>Could you give us an update on our serious financial situation?</p> <p>Councillor Barnett replied that there is a perfect storm where landlords are selling properties, pushing up prices further and making rents more unaffordable. This is causing a major financial crisis. Hastings has one of the highest levels of renters of any town in the South East. The LGA Finance Peer Review will be discussed at the next Cabinet meeting.</p>	Councillor Barnett
Councillor Sinden	<p>What is the latest with the White Rock Theatre?</p> <p>Councillor Batsford said he would answer in more detail when the White Rock Theatre report is debated later in the meeting.</p>	Councillor Batsford

The Mayor adjourned the meeting at 7.09pm and the meeting reconvened at 7.19pm.

16. **MOTION (RULE 14)**

Councillor Collins proposed a motion as set out in the agenda, seconded by Councillor Bacon.

Councillor Cooke proposed an amendment to replace the word 'extension' in the second paragraph with 'extinction'. Councillor Collins accepted the amendment.

RESOLVED (unanimously) the Full Council accepts the motion as set out below:

The world is witnessing a colossal decline in global biodiversity with one million animal and plant species threatened with extinction.

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In 2019, a State of Nature report by the UK State of Nature Partnership presented an overview of how UK wildlife is faring, looking back over 50 years of monitoring. It found the UK to be one of the most nature-depleted countries in the world where 41% of all UK species surveyed have declined, with 15% of species in the UK threatened with extinction.

The Royal Society for the Protection of Birds, RSPB, estimate that the UK breeding population of one of our most iconic birds, the swift, has more than halved in the last 20 years due to loss of nesting sites on buildings.

British Standard, BS42021:2022 'Integral Nest Boxes, selection and installation for new developments' specifies requirements for the selection and installation of integral nest boxes in buildings within new developments for residential, commercial, industrial and public buildings.

The British Standard covers the design and installation principally for the following species, swift, starling, great tit, blue tit, and house sparrow, the numbers of which are in decline in the UK.

The Environment Act 2021 strengthened the duty for local authorities to agree policies and specific objectives to conserve and enhance biodiversity. In November 2023 the concept of Biodiversity Net Gain will become mandatory for local authorities when considering planning applications, to ensure habitats for wildlife are in a better state than before development.

Local authorities are therefore uniquely placed to ensure local planning policies and decisions contribute to and enhance the natural environment by minimising impacts on and providing net gains for biodiversity.

Hastings Borough Council commits to developing policies and procedures to help to reverse the decline in biodiversity by ensuring:

1. Our new local planning policies for development set out a robust policy framework to protect and enhance biodiversity;
2. our local plan sets out the criteria for adopting British Standard BS42021:2022, Integral nest boxes, for all relevant planning permissions and approvals; and
3. developing, where appropriate, supplementary planning guidance on how development can incorporate features beneficial for the natural environment.

17. **MOTION (RULE 14)**

Councillor Carr proposed a motion as set out in the agenda, seconded by Councillor Haffenden.

A recorded vote was requested, and Councillors voted as follows:

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Councillors Bacon, Barnett, Batsford, Beaver, Bishop, Cannan, Carr, Collins, Cooke, Evans, Foster, Haffenden, Hay, Hilton, Jobson, O'Callaghan, Patmore, Roark, Roberts, Rogers, Sinden, Turner, Webb, Williams and Willis voted in favour.

Councillors Beaney, Edwards and Fernando abstained.

RESOLVED (by 25 votes for, with 3 abstentions) the Full Council accepts the motion as set out below:

This Council wishes to send its support to Trans Pride Hastings on the launch of their first festival which has been organised by members of the local transgender and non-binary community with a focus on community building, support, and celebration for trans, non-binary and gender expansive residents from Hastings, St Leonards, & beyond.

This Council celebrates the successes of the transgender community but also recognises that additional support is sometimes needed by them as a section of our society that is too often marginalised, a victim of hate crime, or who may struggle to access the help they need due to other barriers that occur in relation to their status as a trans or nonbinary person.

To turn our words of support into meaningful action, this council resolves:

- That the Equalities Working Group is asked to make recommendations on appropriate equalities training to be considered by the Senior Leadership Team and Cabinet, in consultation with the Member Training and Development Group;
- to continue to fly the trans flag during notable dates such as Trans Day of Remembrance and Trans Pride Hastings each year; and
- to continue to foster a culture of safety, acceptance, and inclusion for the trans and non-binary community in our actions as a council.

18. **MEMBERSHIP OF COMMITTEES**

No changes to membership of committees were proposed.

19. **REPORTS OF COMMITTEES**

The Mayor having called over the minutes set out in the agenda, the following minutes were reserved for discussion.

RESOLVED that under rule 13.3 the reports and minutes of committees set out in the agenda, including those items on which a council decision was required, be received, and agreed.

Only those items which were reserved were discussed as follows:

Meeting	Minute	Councillor
Cabinet, 5 th June 2023	4 – Response to council motion re: Hastings United Football Club proposal	Patmore

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Cabinet, 5 th June 2023	5 – Revision of Financial Assistance Policy	Roberts
Cabinet, 3 rd July 2023	11 – White Rock Theatre Options	Carr
Cabinet, 3 rd July 2023	12 – Treasury Management Outturn Report for 2022/23	Hilton
Cabinet, 3 rd July 2023	13 - Financial Monitoring Outturn Report for 2022/23 - to end of March 2023 (Period 12)	Carr
Cabinet, 3 rd July 2023	15 – Unit at Bexhill Road Retail Park	Beaver

Minute 12 of Cabinet on 3rd July 2023, Treasury Management Outturn Report for 2022/23, was a decision requiring Full Council approval. Councillor Barnett proposed approval of the recommendations, seconded by Councillor Willis.

RESOLVED (unanimously):

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

Reasons:

To ensure that Members are fully aware of the activities undertaken in the last financial year, that Codes of Practice have been complied with and that the Council's strategy has been effective in 2022/23.

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

Councillor Beaver raised a point of order regarding minute 15 of Cabinet on 3rd July 2023 and asked why ward Councillors were not consulted on this item.

The Mayor proposed the meeting move into private session to discuss the report, seconded by Councillor Beaney.

RESOLVED:

That the public be excluded from the meeting during the consideration of minute 15 of Cabinet on 3rd July 2023, Unit at Bexhill Road Retail Park, because it is likely that if members of the public were present there would be disclosure to them of “exempt” information as defined in the paragraphs of schedule 12A to the Local Government Act 1972 referred to in the relevant report.

(The Mayor declared the meeting closed at 9.25pm)

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Present: Councillors Barnett (Chair), Evans (Vice-Chair), Batsford, Cannan, Rogers and Willis.

In attendance: Jane Hartnell (Chief Executive), Kit Wheeler (Chief Finance Officer), Mary Kilner (Chief Legal Officer), Victoria Conheady (Deputy Chief Executive – Director of Place), Amy Terry (Property and Commercial Assets Manager)

16. APOLOGIES FOR ABSENCE

Apologies received from Councillor Roark.

17. DECLARATION OF INTERESTS

None.

18. MINUTES OF LAST MEETING

RESOLVED – that the minutes of the meeting held on 3rd July 2023 be approved as a true record.

19. PUBLIC QUESTION TIME (30 MINUTES)

No questions were received from members of the public.

20. FINANCE PEER REVIEW

The Chief Executive presented a report to set out the findings of the Local Government Association (LGA) Finance Peer Review Team and the actions taken, and being taken, by the council in response.

Hastings Borough Council invited the LGA to undertake a Finance Peer Review in March 2023 in the context of a difficult financial situation, particularly in relation to temporary accommodation provision.

All of the review team's recommendations have been accepted and the council will continue to work hard to address the immediate challenge. The LGA are confident that the savings set out by the council can be delivered.

The Chief Finance Officer welcomed the LGA report and thanked the Review Panel and officers who supported and took part in the review.

The Leader of the Council invited questions from other councillors present.

Councillor Hilton commented that some of the issues raised in the report have not been addressed, including the lack of joined-up thinking and a strategic approach to the housing and homelessness challenge. The Chief Executive replied that officers felt it appropriate to focus the response on the recommendations of the Peer Review, but

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all of their comments will be taken onboard. There may be some disagreements with the findings, but there is a focus on implementing the recommendations as set out.

Councillor Collins asked when councillors will see the figures supporting the projected reduction in the homelessness budget? The Chief Executive confirmed that these figures had been discussed at homelessness taskforce meetings.

Councillor Patmore suggested that, whilst the councillor idea form was paused for six months, it would be helpful if councillors could still submit ideas for saving money. The Chief Executive responded that due to the work programme of officers there needs to be a focus on delivery and the council doesn't have the capacity to consider any other suggestions at this time.

Councillor Jobson asked if the council could take advantage of the government's Rent a Room Scheme, where residents could get tax-free income for renting a spare room? The Chief Executive replied that the council only has capacity to undertake core statutory work. Priorities have been agreed in the short-term in consultation with the council's housing advisors.

Councillor Carr asked if selling Muriel Matters House had been considered? The Chief Executive replied that all buildings are being considered as part of the asset review but it should be noted that the council also receives rental income from Muriel Matters House.

Councillor Barnett said that the council needed to welcome ideas and support from across the town. The Peer Review is welcomed as part of a strategy to ensure the council is taking credible and sufficient action to meet the current challenges. Almost 100 actions have been outlined in response to the review report.

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

RESOLVED (unanimously):

That:

- 1. Cabinet thanks the Local Government Association Peers for their time and input to assisting the Council to address its financial challenges and the impact of the local housing crisis which is impacting on the budget so significantly.**
- 2. That Cabinet note the actions taken since the Peer review in March.**
- 3. That Cabinet agree the council's response and the future actions set out in the table in appendix A.**

Reasons:

1. The Budget Council report in February 2023 set out the issues impacting on the Council's financial stability. Most notably these are as a result of the massive increase in costs of providing temporary accommodation for those homeless people to whom we owe a legal duty.

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2. The Budget report also set out the council's strategy to tackling the budget deficit, address the housing budget spend and identified that if these plans are achieved, the council would be in a position of financial stability by 2025/26.

3. In order to provide the council with confidence in its plans, the Local Government Association was invited to visit in March 2023 and undertake a Finance Peer Challenge. The Peer Team's final report and recommendations have been received and are presented together with the council's response. Details are included in the table in appendix A of the progress made to date in addressing the council's financial challenges, implementing the LGA recommendations as well as further planned actions.

21. LAND AND PROPERTY DISPOSAL PROGRAMME

In a change to the published agenda, this item was called second by the Leader of the Council.

The Chief Executive presented a report to seek approval of the sale of four council owned sites to generate capital receipts estimated at more than £3 million. This would help to reduce capital borrowing requirements and potential interest costs.

The sites listed for disposal have been considered by officers for some time and there has now been an opportunity to review the sites. The council no longer has capacity to develop its own housing, and this can be delivered quicker by others. Therefore, it is proposed that these disposals are brought forward. In relation to York Buildings officers have concluded the property is no longer suitable for delivery as social housing.

The Leader of the Council invited questions from other councillors present.

Councillor Beaney asked if there would be any implications for the brownfield land release funding received for Bexhill Road South, and what guarantee there is that any of the sites will be developed for social housing? The Chief Executive replied that the council would not advertise publicly the expected asking price for each asset as this will undermine the ability to get the best price. The brownfield land release fund will need to be refunded. It is an aspiration that these sites will be sold to social housing providers, but this cannot be guaranteed.

Councillor Hilton commented that part of the council's projected £1 million savings are based on the council building houses on some of these sites. The Chief Executive and Chief Finance Officer confirmed that projected savings will be adjusted accordingly.

Councillor Carr asked why there were no business cases for any of the proposals and if the Cabinet will commit to an urgent review into the York Buildings project? The Chief Executive replied that the council needed to make swift decisions to address the current housing crisis. The council has been working with partners to try to bring York Buildings forward but regrettably this has not been possible. Lessons are being learned and these will be applied to future projects.

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Councillor Patmore noted that without an asset management plan it is not clear how the decision to dispose of these assets has been arrived at. The Chief Executive replied that the council employs a number of chartered surveyors who liaise with colleagues within the sector. Senior leadership are content to take their advice that these sites are appropriate for sale at this time.

Councillor Collins asked if there was scope for using other local authorities to deliver housing when Hastings Borough Council has the land, but not the capacity to develop it? The Chief Finance Officer replied that the capacity of officers is not the only consideration. Developing the sites would mean the council borrowing money and accepting increased risk. It is unlikely any other authority would develop these sites on behalf of the council.

The meeting adjourned at 7.42pm and resumed at 7.46pm due to a technical issue with the live stream.

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

RESOLVED (unanimously):

- 1. Add Land at rear of 419 to 447 Bexhill Road, Mayfield E, 12/13 York Buildings and land at Upper Wilting Farm, to the Council's Land and Property Disposal Programme.**
- 2. Approve the disposal of the sites in accordance with section 123 of the Local Government Act 1972 Local Government Act 1972 (legislation.gov.uk).**
- 3. Delegate authority to the Property & Commercial Assets Manager in consultation with the Leader of the Council and Finance Portfolio Holder to take all actions to dispose of the sites and agree the terms of the sales.**

Reasons:

1. Ahead of the wider Council strategic asset review we have conducted an initial review of the Council's assets and identified these sites can be brought forward for immediate sale for the reasons outlined in the report.
2. The sales will generate capital receipts currently estimated to be worth in the region of £3m. These capital receipts would then be reinvested into funding the capital programme and reduce external borrowing. This would therefore reduce our borrowing costs such as MRP (Minimum revenue Provision) as well as costly interest charges which are continuing to rise with interest rates.
3. This would have a beneficial impact on our revenue position and take some of the pressure off the Council services and general reserve balance which is continuing to be used to fund the revenue budgets for areas such as Homelessness.

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22. TREASURY MANAGEMENT UPDATE - 2023/24 QUARTER 1

The Chief Finance Officer presented a report to update the Cabinet on treasury management activities for quarter one.

The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management 2021 recommends that councillors be updated on treasury management activities at least quarterly.

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

RESOLVED (unanimously):

Cabinet recommends the following to Full Council:

1. Note the report, the treasury activity and recommend approval of any changes to the prudential indicators.

Reasons:

To ensure that Members are fully aware of the activities undertaken in the last quarter, that Codes of Practice have been complied with and that the Council's strategy is effective and doesn't currently need revising.

Under the Code adopted the Full Council are required to consider the report and any recommendations made. There will be a further report forthcoming on Treasury Management for 2023/24 including the Mid-year Review, Quarter 3 Treasury Management Update Report and Outturn Report.

(The Chair declared the meeting closed at 8.04pm)

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Report to: Cabinet

Date of Meeting: 07 August 2023

Report Title: Treasury Management Update – 2023/24 Quarter 1

Report By: Simon Jones (Deputy Chief Finance Officer)

Purpose of Report

The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management 2021 recommends that Members be updated on treasury management activities at least quarterly. This report, therefore, ensures this Council is implementing best practice in accordance with the Code.

Recommendation(s)

The Cabinet is asked to recommend the following to Full Council:

1. Note the report, the treasury activity and recommend approval of any changes to the prudential indicators.

Reasons for Recommendations

To ensure that Members are fully aware of the activities undertaken in the last quarter, that Codes of Practice have been complied with and that the Council's strategy is effective and doesn't currently need revising.

Under the Code adopted the Full Council are required to consider the report and any recommendations made. There will be a further report forthcoming on Treasury Management for 2023/24 including the Mid-year Review, Quarter 3 Treasury Management Update Report and Outturn Report.

Introduction

1. The following economic update and interest rate forecasts have been provided by the Council's Treasury Management Advisors, Link Group.

Economics update

2. The first quarter of 2023/24 saw:
 - A 0.2% m/m rise in real GDP in April, partly due to fewer strikes;
 - CPI inflation falling from 10.1% to 8.7% in April, before remaining at 8.7% in May. This was the highest reading in the G7;
 - Core CPI inflation rise in both April and May, reaching a new 31-year high of 7.1%;
 - A tighter labour market in April, as the 3myy growth of average earnings rose from 6.1% to 6.5%;
 - Interest rates rise by a further 75bps over the quarter, taking Bank Rate from 4.25% to 5.00%;
 - 10-year gilt yields nearing the "mini-Budget" peaks, as inflation surprised to the upside.
3. The economy has weathered the drag from higher inflation better than was widely expected. The 0.2% m/m rise in real GDP in April, following March's 0.3% m/m contraction will further raise hopes that the economy will escape a recession this year. Some of the strength in April was due to fewer strikes by train workers and teachers in that month. Moreover, some of the falls in activity in other areas in April were probably temporary too. Strikes by junior doctors and civil servants contributed to the fall in health output (0.9% m/m) and the meagre 0.1% m/m increase in public administration.
4. The fall in the composite Purchasing Managers Index (PMI) from 54.0 in May to a three-month low of 52.8 in June (>50 points to expansion in the economy, <50 points to contraction) was worse than the consensus forecast of 53.6. Both the services and manufacturing PMIs fell. The decline in the services PMI was bigger (from 55.2 to 53.7), but it remains consistent with services activity expanding by an annualised 2%. The fall in the manufacturing PMI was smaller (from 47.1 to 46.2), but it is consistent with the annual rate of manufacturing output falling from -0.8% in April to around -5.0%. At face value, the composite PMI points to the 0.1% q/q rise in GDP in Q1 2023 being followed by a 0.2% q/q gain in Q2 2023.
5. Meanwhile, the 0.3% m/m rise in retail sales volumes in May was far better than the consensus forecast of a 0.2% m/m decline and followed the robust 0.5% m/m rise in April. Some of the rise was due to the warmer weather. Indeed, the largest move was a 2.7% m/m jump in non-store sales, due to people stocking up on outdoor-related goods. But department stores also managed to squeeze out a 0.6% m/m rise in sales and the household goods sub-sector enjoyed a reasonable performance too. Overall, the figures were far better than analysts had expected.

In addition, the GfK measure of consumer confidence rebounded from -27 to a 17-month high of -24 in June.

6. The recent resilience of the economy has been due to a confluence of factors including the continued rebound in activity after the pandemic, households spending some of their pandemic savings, and the tight labour market and government handouts both supporting household incomes. That said, as government support fades, real household incomes are unlikely to grow rapidly. Furthermore, higher interest rates will mean GDP is likely to contract later this year. Our central assumption is that inflation will drop to the 2.0% target only if the Bank triggers a recession by raising rates from 5.00% now to at least 5.5% and keeps rates there until at least mid-2024. Our colleagues at Capital Economics estimate that around 60% of the drag on real activity from the rise in rates has yet to bite, and the drag on the quarterly rate of real GDP growth over the next year may be about 0.2ppts bigger than over the past year.
7. The labour market became tighter over the quarter and wage growth reaccelerated. Labour demand was stronger than the consensus had expected. The three-month change in employment rose from +182,000 in March to +250,000 in April. Meanwhile, labour supply continued to recover as the size of the labour force grew by 303,000 in the three months to April. That was supported by a further 140,000 decline in inactivity as people returned to work from retirement and caring responsibilities (while inactivity due to long-term sick continued to rise). But it was not enough to offset the big rise in employment, which meant the unemployment rate fell from 3.9% to 3.8%
8. The tighter labour market supported wage growth in April, although the 9.7% rise in the National Living Wage on 1st April (compared to the 6.6% increase in April last year) probably had a lot to do with it too. The 3myy rate of average earnings growth reaccelerated from 6.1% to 6.5% (consensus 6.1%) and UK wage growth remains much faster than in the US and the Euro-zone. In addition, regular private sector wage growth increased from 7.1% 3myy to 7.6%, which left it well above the Bank's forecast for it to fall below 7.0%. Overall, the loosening in the labour market appears to have stalled in April and regular private sector wage growth was well above the Bank's forecast.
9. CPI inflation stayed at 8.7% in May (consensus 8.4%) and, perhaps more worryingly, core CPI inflation rose again, from 6.8% to a new 31-year high of 7.1%. The rise in core inflation built on the leap from 6.2% in March to 6.8% and means it is accelerating in the UK while it is slowing in the US and the Euro-zone (both fell to 5.3%). A further decline in fuel inflation, from -8.9% to -13.1%, and the second fall in food inflation in as many months, from 19.3% to 18.7%, explained why overall CPI inflation didn't rise. And the scheduled fall in the average annual utility price from £2,500 to £2,074 on 1st July means overall CPI inflation will probably ease in the coming months. But the problem is that the recent surge in core inflation and the reacceleration in wage growth shows that domestic inflationary pressures are still strengthening.
10. This suggests the Bank may have more work to do than the Fed or ECB. Indeed, the Bank of England sounded somewhat hawkish in the June meeting. This came through most in the MPC's decision to step up the pace of hiking from the 25bps at the previous two meetings. The 7-2 vote, with only two members voting to leave

rates unchanged at 4.50%, revealed support for stepping up the fight against high inflation.

11. That said, the Bank has not committed to raising rates again or suggested that 50bps rises are now the norm. What it did say was that “the scale of the recent upside surprises in official estimates of wage growth and services CPI inflation suggested a 0.5 percentage point increase in interest rates was required at this particular meeting”. Moreover, the Committee did not strengthen its forward guidance that any further rate hikes would be conditional on the data. However, it looks highly probable, given the on-going strength of inflation and employment data, that the Bank will need to raise rates to at least 5.5% and to keep rates at their peak until the mid-point of 2024. We still think it is only a matter of time before the rise in rates weakens the economy sufficiently to push it into recession. That is why instead of rising to between 6.00%-6.25%, as is currently priced in by markets, we think rates are more likely to peak between 5.50-6.00%. Our forecast is also for rates to be cut in the second half of 2024, and we expect rates to then fall further than markets are pricing in.
12. Growing evidence that UK price pressures are becoming increasingly domestically generated has driven up market interest rate expectations and at one point pushed the 10-year gilt yield up to 4.49% in late June, very close to its peak seen after the “mini-budget”. Yields have since fallen slightly back to 4.38%. But growing expectations that rates in the UK will remain higher for longer than in the US mean they are still more than 70 bps above US yields. While higher interest rates are priced into the markets, the likely dent to the real economy from the high level of interest rates is not. That’s why we think there is scope for market rate expectations to fall back in 2024 and why we expect the 10-year PWLB Certainty Rate to drop back from c5.20% to 5.00% by the end of this year and to 4.20% by the end of 2024.
13. The pound strengthened from \$1.24 at the start of April to a one-year high at \$1.26 in early May, which was partly due to the risks from the global banking issues being seen as a bigger problem for the US than the UK. The pound then fell back to \$1.23 at the end of May, before rising again to \$1.28 in the middle of June as the strong core CPI inflation data released in June suggested the Bank of England was going to have to raise rates more than the Fed or ECB in order to tame domestic inflation. However, sterling’s strong run may falter because more hikes in the near term to combat high inflation are likely to weaken growth (and, hopefully, at some point inflation too) to such a degree that the policy rate will probably be brought back down, potentially quite quickly, as the economic cycle trends downwards decisively. This suggests that additional rate hikes are unlikely to do much to boost the pound.
14. In early April, investors turned more optimistic about global GDP growth, pushing up UK equity prices. But this period of optimism appears to have been short-lived. The FTSE 100 has fallen by 4.8% since 21st April, from around 7,914 to 7,553, reversing part of the 7.9% rise since 17th March. Despite the recent resilience of economic activity, expectations for equity earnings have become a bit more downbeat. Nonetheless, further down the track, more rate cuts than markets anticipate should help the FTSE 100 rally.

MPC meetings 11th May and 22nd June 2023

15. On 11th May, the Bank of England's Monetary Policy Committee (MPC) increased Bank Rate by 25 basis points to 4.50%, and on 22nd June moved rates up a further 50 basis points to 5.00%. Both increases reflected a split vote – seven members voting for an increase and two for none.
16. Nonetheless, with UK inflation significantly higher than in other G7 countries, the MPC will have a difficult task in convincing investors that they will be able to dampen inflation pressures anytime soon. Talk of the Bank's inflation models being "broken" is perhaps another reason why gilt investors are demanding a premium relative to US and Euro-zone bonds, for example.
17. Of course, what happens outside of the UK is also critical to movement in gilt yields. The US FOMC has already hiked short-term rates to a range of 5.00%-5.25%, but a further increase is pencilled in for July, whilst the ECB looks likely to raise its Deposit rate at least once more to a peak of 3.75%, with upside risk of higher to come.

Interest rate forecasts

18. The Council has appointed Link Group as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012.
19. The latest forecast, made on 26th June, sets out a view that both short and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy, against a backdrop of a stubbornly robust economy and a tight labour market.
20. You will note that the Link forecasts have steadily increased during the quarter as the data continued to spring upside surprises, and the Bank of England continued to under-estimate how prevalent inflation is, and how tight the labour market is. The Government has also noted that despite immigration increasing markedly, high levels of ill-health amongst the workforce has led to wage demands remaining strong until such time as there is a loosening in demand for business services.
21. The current and previous PWLB rate forecasts below are based on the Certainty Rate.

Link Group Interest Rate View	26.06.23												
	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26
BANK RATE	5.00	5.50	5.50	5.50	5.25	4.75	4.25	3.75	3.25	2.75	2.75	2.50	2.50
3 month ave earnings	5.30	5.60	5.50	5.30	5.00	4.50	4.00	3.50	3.00	2.70	2.60	2.50	2.50
6 month ave earnings	5.80	5.90	5.70	5.50	5.10	4.60	4.00	3.50	3.00	2.70	2.60	2.60	2.60
12 month ave earnings	6.30	6.20	6.00	5.70	5.30	4.80	4.10	3.60	3.10	2.80	2.70	2.70	2.70
5 yr PWLB	5.50	5.60	5.30	5.10	4.80	4.50	4.20	3.90	3.60	3.40	3.30	3.30	3.20
10 yr PWLB	5.10	5.20	5.00	4.90	4.70	4.40	4.20	3.90	3.70	3.50	3.50	3.50	3.40
25 yr PWLB	5.30	5.40	5.20	5.10	4.90	4.70	4.50	4.20	4.00	3.90	3.80	3.80	3.70
50 yr PWLB	5.00	5.10	5.00	4.90	4.70	4.50	4.30	4.00	3.80	3.60	3.60	3.50	3.50

Link Group Interest Rate View		24.05.23											
	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26
BANK RATE	4.75	5.00	5.00	4.75	4.50	4.00	3.50	3.25	2.75	2.50	2.50	2.50	2.50
3 month ave earnings	4.80	5.00	5.00	4.80	4.50	4.00	3.50	3.30	2.80	2.50	2.50	2.50	2.50
6 month ave earnings	5.10	5.20	5.10	4.90	4.50	3.90	3.40	3.20	2.90	2.60	2.60	2.60	2.60
12 month ave earnings	5.40	5.40	5.30	5.00	4.50	3.90	3.40	3.20	2.90	2.70	2.70	2.70	2.70
5 yr PWLB	5.00	5.00	5.00	4.80	4.50	4.10	3.70	3.50	3.30	3.20	3.20	3.10	3.10
10 yr PWLB	5.00	5.00	5.00	4.80	4.40	4.10	3.80	3.60	3.50	3.40	3.30	3.30	3.30
25 yr PWLB	5.30	5.30	5.20	5.10	4.80	4.50	4.20	4.00	3.80	3.70	3.60	3.60	3.60
50 yr PWLB	5.10	5.10	5.00	4.90	4.60	4.30	4.00	3.80	3.60	3.50	3.40	3.40	3.40

Link Group Interest Rate View		27.03.23											
	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	
BANK RATE	4.50	4.50	4.25	4.00	3.50	3.25	3.00	2.75	2.75	2.50	2.50	2.50	
3 month ave earnings	4.50	4.50	4.30	4.00	3.50	3.30	3.00	2.80	2.80	2.50	2.50	2.50	
6 month ave earnings	4.50	4.40	4.20	3.90	3.40	3.20	2.90	2.80	2.80	2.60	2.60	2.60	
12 month ave earnings	4.50	4.40	4.20	3.80	3.30	3.10	2.70	2.70	2.70	2.70	2.70	2.70	
5 yr PWLB	4.10	4.10	3.90	3.80	3.70	3.60	3.50	3.40	3.30	3.20	3.20	3.10	
10 yr PWLB	4.20	4.20	4.00	3.90	3.80	3.70	3.50	3.50	3.40	3.30	3.30	3.20	
25 yr PWLB	4.60	4.50	4.40	4.20	4.10	4.00	3.80	3.70	3.60	3.50	3.50	3.40	
50 yr PWLB	4.30	4.20	4.10	3.90	3.80	3.70	3.50	3.50	3.30	3.20	3.20	3.10	

22. LIBOR and LIBID rates ceased at the end of 2021. In a continuation of previous views, money market yield forecasts are based on expected average earnings by local authorities for 3 to 12 months.
23. The Link forecast for average earnings are averages i.e., rates offered by individual banks may differ significantly from these averages, reflecting their different needs for borrowing short-term cash at any one point in time.

A summary overview of the future path of bank rate

24. Link's central forecast for interest rates was previously updated on 25th May and reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by delivering a succession of rate increases. This has happened to a degree, especially as it moved to a more aggressive 0.5% hike in June but, with inflation remaining elevated, we anticipate that Bank Rate will need to increase to at least 5.5%, if not higher, to sufficiently slow the UK economy and loosen the labour market.
25. Moreover, Link also still anticipate the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures are behind us – but timing on this will remain 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. Link's current judgment is that rates will have to increase and stay at their peak until the second quarter of 2024 as a minimum.
26. In the upcoming months, Link's 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 also international factors such as policy development in the US and Europe, the provision of fresh support packages to support the faltering recovery in China as well as the on-going conflict between Russia and Ukraine and whether there are any further implications for Russia itself following the recent aborted mutiny by the Wagner group.

27. On the positive side, consumers are still estimated to be sitting on excess savings left over from the pandemic, which could cushion some of the impact of the above challenges and may be the reason why the economy is performing somewhat better at this stage of the economic cycle than may have been expected. However, most of those excess savings 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

PWLB RATES

28. Gilt yield curve movements have shifted upwards, especially at the shorter end of the yield curve since our previous forecast but remain relatively volatile. PWLB 5 to 50 years Certainty Rates are, generally, in the range of 4.90% to 5.60%.
29. Link view the markets as having built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate and the elevated inflation outlook.

The balance of risks to the UK economy

30. The overall balance of risks to economic growth in the UK is to the downside.
31. 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, the rising gilt yields we have seen of late).
 - **The Bank of England** increases Bank Rate too fast and too far over the coming months, and subsequently brings about a deeper and longer UK recession 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.
 - **A broadening of banking sector fragilities**, which have been successfully addressed in the near-term by central banks and the market generally, but which may require further intervention if short-term interest rates stay elevated for longer than is anticipated.
32. Upside risks to current forecasts for UK gilt yields and PWLB rates: -
- Despite the recent tightening by 0.5%, the **Bank of England proves too timid** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to remain elevated for a longer period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project.
 - **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 remains more stubborn than the market currently anticipates, pulling gilt yields up higher consequently.
- Projected **gilt issuance, inclusive of natural maturities and QT**, could be too much for the markets to comfortably digest without higher yields compensating.

Annual Investment Strategy

33. The Treasury Management Strategy Statement (TMSS) for 2023/24, which includes the Annual Investment Strategy, was approved by the Full Council on 8 February 2023. In accordance with the CIPFA Treasury Management Code of Practice, it sets out the Council's investment priorities as being:
- Security of Capital
 - Liquidity
 - Yield
34. The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity, aligned with the Council's risk appetite. In the current economic climate, over and above keeping investments short-term to cover cash flow needs, there is a benefit to seek out value available in periods up to 12 months with high credit rated financial institutions, using the Link suggested creditworthiness approach, including a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information.
35. As shown by the charts below and the interest rate forecasts above, investment rates have improved dramatically during the first quarter of 2023/24 and are expected to improve further as Bank Rate continues to increase over the next few months.

Creditworthiness.

36. There have been few changes to credit ratings over the quarter under review. However, Officers continue to closely monitor these, and other measures of creditworthiness to ensure that only appropriate counterparties are considered for investment purposes.

Investment counterparty criteria

37. The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.

CDS prices

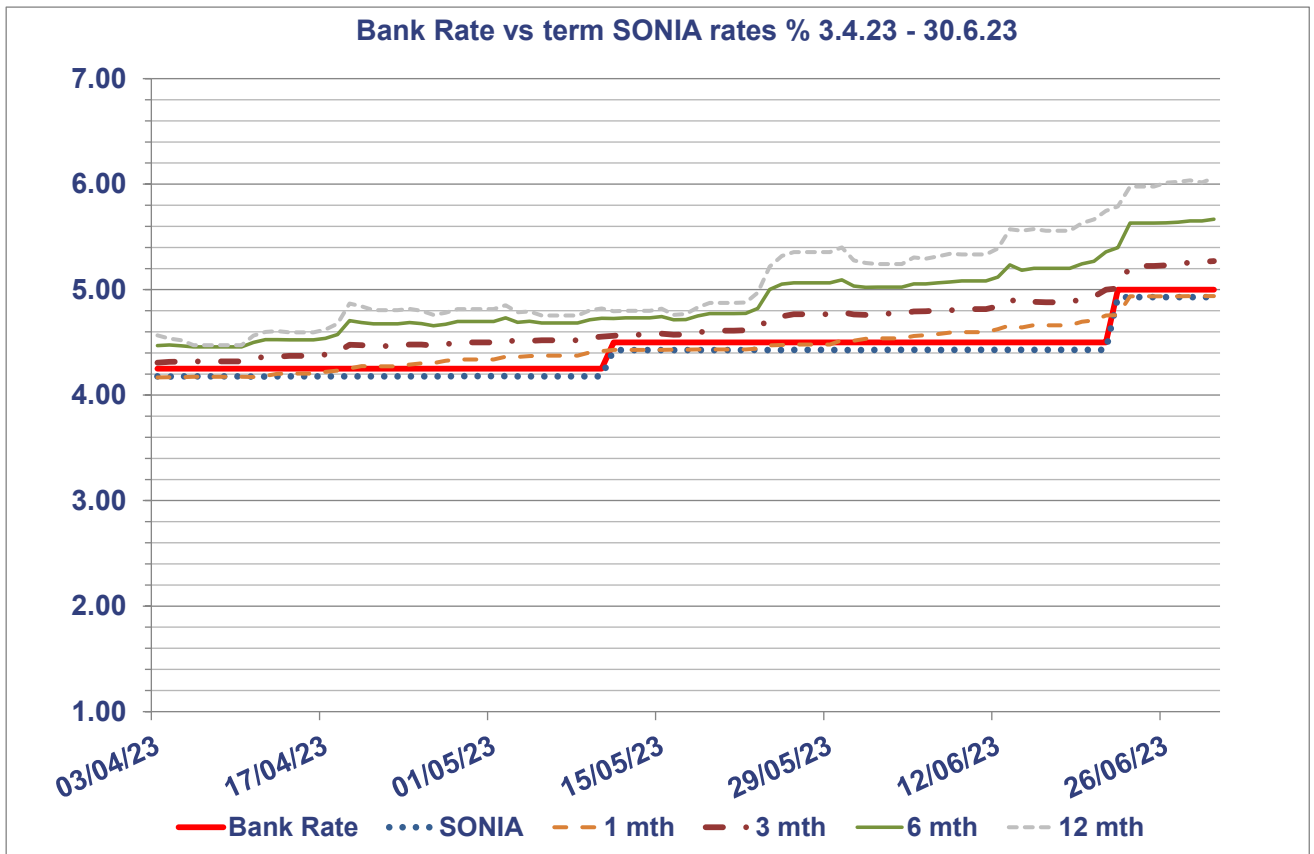
38. For UK banks, these have retreated from the spikes caused by the Truss / Kwarteng policy approach in September. Prices are not misaligned with other creditworthiness indicators, such as credit ratings. Nevertheless, it remains important to undertake continual monitoring of all aspects of risk and return in the current circumstances.

Investment balances

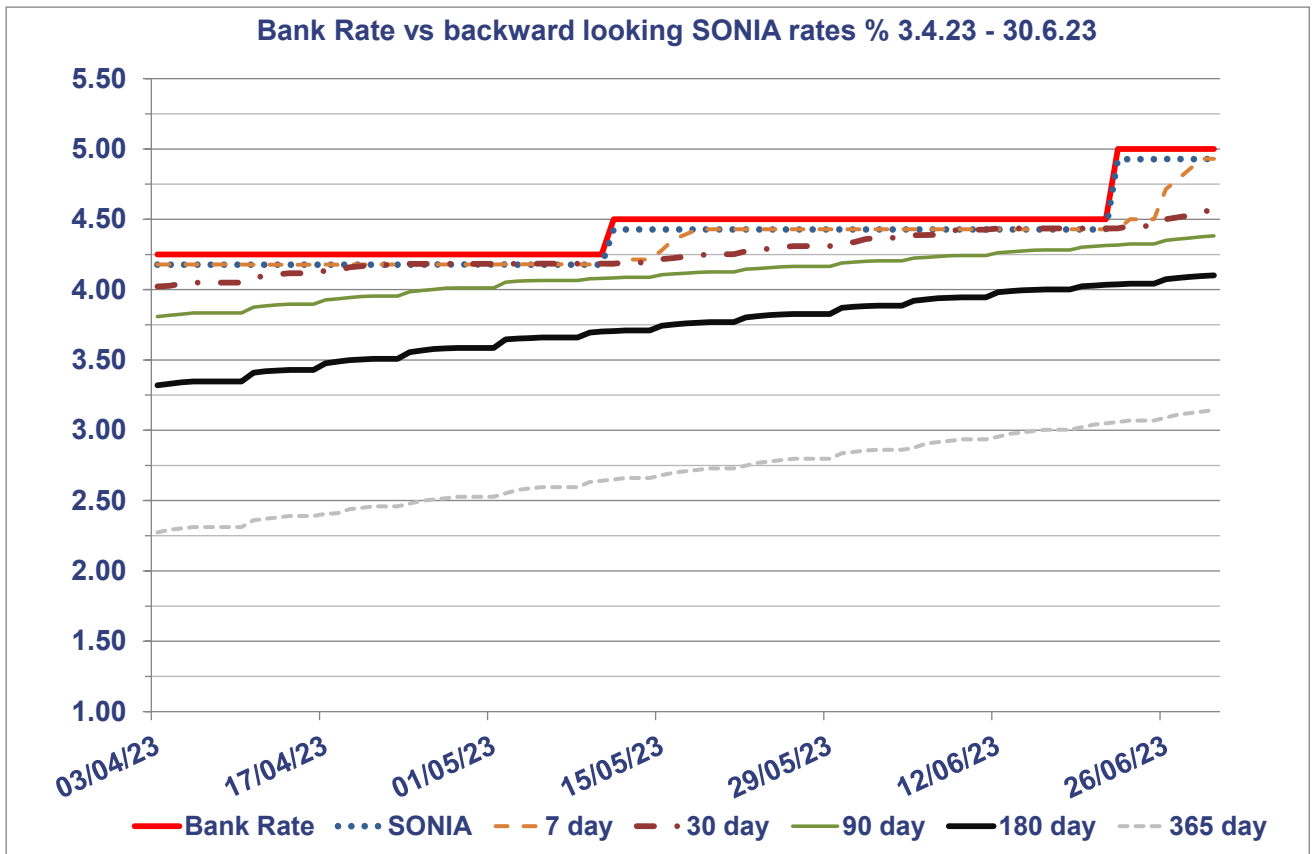
39. The average level of funds available for investment purposes during the quarter was £32.6m. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the capital programme. The Council holds £3.8m core cash balances for investment purposes (i.e., funds available for more than one year).
40. The table below provides a snapshot of the investments/deposits held at 30 June 2023 (excluding those with CCLA).

Counterparty	Yield (%)	Start Date	End Date	Principal (£)	Term
Australia & NZ BCG Ltd	4.75	17/05/2023	17/08/2023	5,000,000	Fixed
DBS Bank Ltd, London	4.97	17/05/2023	17/11/2023	5,000,000	Fixed
Goldman Scahs	5.24	01/06/2023	01/12/2023	5,000,000	Fixed
Helaba Landesbank Hessen	4.56	06/06/2023	06/07/2023	5,000,000	Fixed
Northern Trust	4.08	13/02/2023	-	4,000,000	Call
Morgan Stanley	4.12	20/03/2023	-	5,000,000	Call
Lloyds Bank - Call Account	4.40	-	-	1,500,000	Call
Barclays	1.00	-	-	23	Call
Natwest	1.00	-	-	6,147	Call
Lloyds Gen	1.31	-	-	1,901,796	Call
			Total	32,407,966	

41. The weighted average return of the portfolio at 30 June 2023 was 4.43%.
42. Investment performance can be compared against the Sterling Overnight Index Averages to evaluate performance. There is a choice of using the forward looking (term) benchmarks and the backward-looking benchmarks.
43. The forward-looking benchmark reflects where the market has moved to over time, whereas the backward-looking benchmark reflects where the market was positioned when investments were placed.



FINANCIAL YEAR TO QUARTER ENDED 30/6/2023						
	Bank Rate	SONIA	1 mth	3 mth	6 mth	12 mth
High	5.00	4.93	4.94	5.27	5.67	6.06
High Date	22/06/2023	30/06/2023	29/06/2023	30/06/2023	30/06/2023	30/06/2023
Low	4.25	4.18	4.17	4.31	4.46	4.47
Low Date	03/04/2023	04/04/2023	03/04/2023	03/04/2023	06/04/2023	06/04/2023
Average	4.44	4.37	4.46	4.66	4.90	5.08
Spread	0.75	0.75	0.77	0.96	1.21	1.59



FINANCIAL YEAR TO QUARTER ENDED 30/06/2023							
	Bank Rate	SONIA	7 day	30 day	90 day	180 day	365 day
High	5.00	4.93	4.93	4.57	4.38	4.10	3.14
High Date	22/06/2023	30/06/2023	30/06/2023	30/06/2023	30/06/2023	30/06/2023	30/06/2023
Low	4.25	4.18	4.18	4.02	3.81	3.32	2.27
Low Date	03/04/2023	04/04/2023	11/04/2023	03/04/2023	03/04/2023	03/04/2023	03/04/2023
Average	4.44	4.37	4.34	4.27	4.11	3.74	2.70
Spread	0.75	0.75	0.75	0.55	0.57	0.78	0.87

44. The Council has outperformed the benchmark backward looking SONIA rate of 4.37% by 6 bps. The Council's budgeted investment return for 2023/24 is £899,000, and performance for the year to date is in line with the budget.
45. The 2023/24 budget for interest receivable is £899,000 and at 30th June we were on target for achieving £900,000. The interest receivable budget for 2022/23 was £503,000 actual interest received was £1,141,000. We are unlikely to achieve this level of income this year as cash available for investing decreases as work on the capital programme progresses.

CCLA Investments: Property Fund & Diversified Income Fund (DIF)

46. The Council also had longer term investments with CCLA in a Property Fund and Diversified Income Fund.
47. The value of the Property Fund as 30 June 2023 was £1,845,178. This is £154,822 (7.7%) below the initial investment amount of £2,000,000. The dividend yield on the net asset value is 4.45%.

48. The value of the Diversified Income Fund as 30 June 2023 was £2,694,154. This is £305,846 (10.2%) below the initial investment amount of £3,000,000. The dividend yield is 3.17%.

Loans to Other Organisations

49. As at 30 June 2023 the following longer term loans made to other organisations were outstanding:

3rd Party Organisations	Rate/ Return (%)	Start Date	End Date	Principal Outstanding as at 30/06/2023 £	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	

Approved limits

50. Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the quarter ended 30th June 2023.

Borrowing

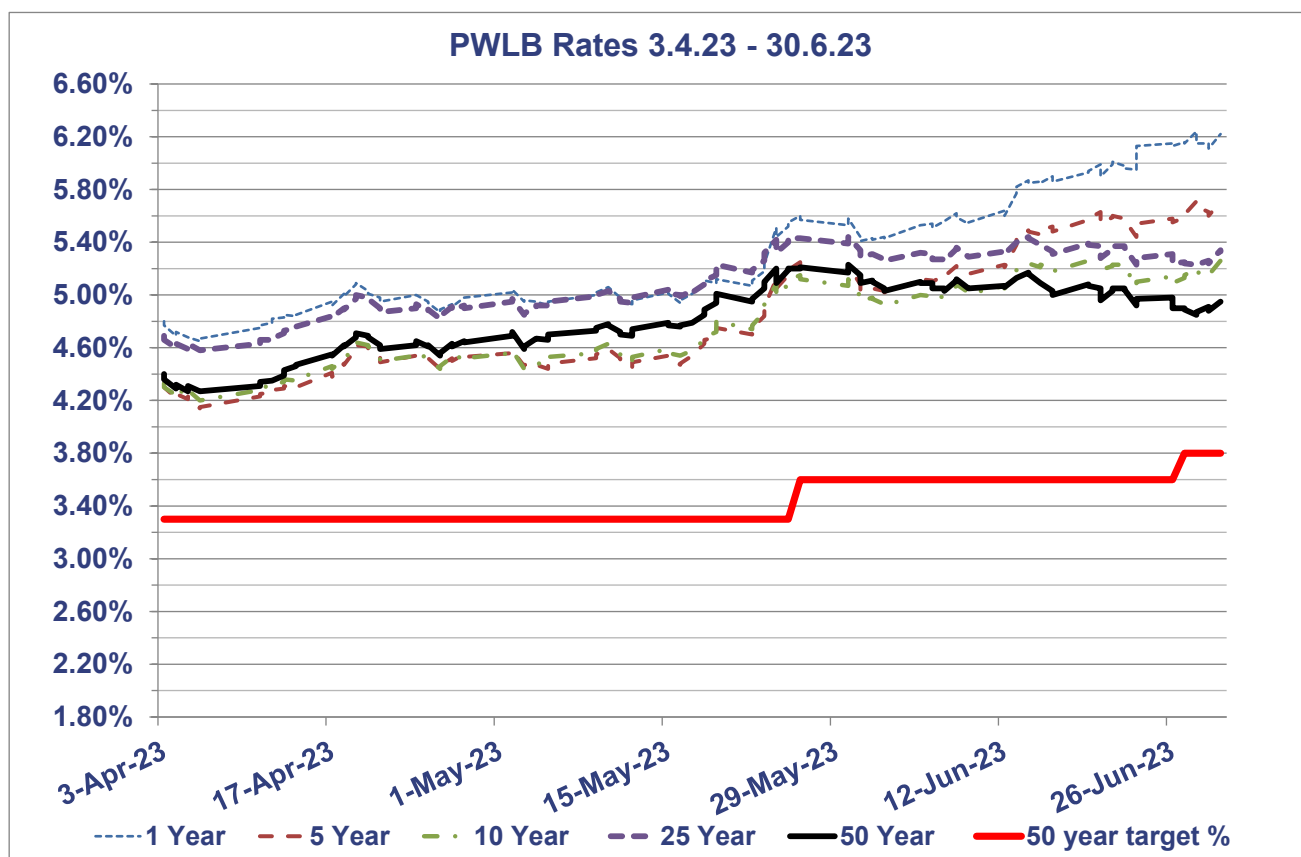
51. No borrowing was undertaken during the quarter ended 30th June 2023.
52. The Council has outstanding external debt of £65.4m comprising of 22 individual loans from the PWLB with an average rate of interest of 2.81%.
53. It is anticipated that borrowing of £24.8m will be required this financial year to fund expenditure on the capital programme. This figure is however dependant on progress made on the capital programme, any capital receipts received within the year from asset sales and the availability of cashflows and reserve balances to facilitate internal borrowing.

PWLB maturity Certainty Rates 1st April to 30th June 2023

54. Gilt yields and PWLB rates were on a rising trend between 1st April and 30th June.
55. The 50-year PWLB Certainty Rate target for new long-term borrowing started 2023/24 at 3.30% before increasing to a peak of 3.80% in June. As can be seen, with rates elevated across the whole of the curve, it is advised to not borrow long-

term unless the Council wants certainty of rate and judges the cost to be affordable.

PWLB RATES 03.04.23 - 30.06.23 (note: the 1st/2nd April was a weekend)



HIGH/LOW/AVERAGE PWLB RATES FOR 01.04.23 – 30.06.23

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	4.65%	4.14%	4.20%	4.58%	4.27%
Date	06/04/2023	06/04/2023	06/04/2023	06/04/2023	05/04/2023
High	6.24%	5.71%	5.28%	5.44%	5.23%
Date	28/06/2023	28/06/2023	20/06/2023	30/05/2023	30/05/2023
Average	5.32%	4.87%	4.78%	5.09%	4.82%
Spread	1.59%	1.57%	1.08%	0.86%	0.96%

Debt rescheduling

56. Debt rescheduling opportunities have increased significantly in the current quarter where gilt yields, which underpin PWLB rates and market loans, have risen materially. Members will be advised if there is value to be had by rescheduling or repaying a part of the debt portfolio however given the need to borrow to fund the capital programme this is unlikely without receiving significant capital receipts.

Compliance with Treasury and Prudential Limits

- 57. The prudential and treasury Indicators are shown in Appendix 1.
- 58. It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the quarter ended 30th June 2023, the Council has operated within the treasury and prudential indicators set out in the Council’s

Treasury Management Strategy Statement for 2023/24. The Chief Finance Officer reports that no difficulties are envisaged for the current or future years in complying with these indicators.

59. All treasury management operations have also been conducted in full compliance with the Council's Treasury Management Practices.

Timetable of Next Steps

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

Action	Key milestone	Due date (provisional)	Responsible
Treasury Management Mid-Year Report	Report	November 2023	Chief Finance Officer
Treasury Management Update Q3	Report	February 2023	Chief Finance Officer
Treasury Management Outturn Report	Report	June 2023	Chief Finance Officer

Wards Affected

None.

Implications

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

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

Additional Information

Treasury Management and Annual Investment Strategy 2023/24
 CIPFA - Treasury Management Code of Practice
 CIPFA - The Prudential Code

Appendix 1 – Prudential Indicators

Appendix 2 – Approved countries for investments as of 30th June 2023

Officer to Contact

Officer Name: Simon Jones, Deputy Chief Finance Officer
Officer Email Address; simon.jones@hastings.gov.uk



Appendix 1 - Prudential Indicators

The Council's Capital expenditure plans are the key driver of treasury management activity. The output of the Capital expenditure plans (detailed in the budget but updated with the latest forecasts) 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

The Council's external borrowing at 30 June 2023 amounted to £65,421,204 which is well within approved borrowing limits.

It is however worth noting that although the Council has the ability to borrow up to £135m it is very important to consider affordability. Borrowing to this level would only be possible if the capital schemes invested in were to generate a sufficient level of income to cover the MRP and interest costs at a level within the Council's risk appetite. To reduce pressure on the revenue budget it would be preferable for the Council to look to fund the capital programme via capital receipts from asset disposals rather than additional borrowing.

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%	

Based on the current budget position and the forecast outturn there is no need to increase the Authorised Limit or the Operational Boundary at the current time. Likewise there is no need to make any amendments to the Council's interest rate exposures or debt maturity structures at the current time.

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 Actual	2023/24 Budget	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Financing Costs	£'000	£'000	£'000	£'000	£'000	£'000
1. Interest Charged to General Fund	1,825	1,862	2,811	2,435	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)	(1,141)	(824)	(900)	(618)	(618)
5. Amounts payable or receivable in respect of financial derivatives	-	-	-	-	-	-
6. Minimum Revenue Provision (MRP) / Voluntary Revenue Provision (VRP)	1,668	870	1,950	904	939	976
7. Depreciation/Impairment that are charged to the amount to be met from government grants and local taxpayers	-	-	-	-	-	-
Total	2,953	1,591	3,937	2,439	4,002	4,023
Net Revenue Stream						
Amount to be met from government grants and local taxpayers	14,253	13,370	14,821	13,637	13,910	14,188
Ratio						
Financing Cost to Net Revenue Stream	21%	12%	27%	18%	29%	28%

Note: Outturn figures for 2021/22 and 2022/23 are unaudited

This prudential indicator shows that the ratio of financing costs to the net revenue stream is increasing over time. 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.

It should be noted that due to lower than budgeted interest and MRP charges and greater than budgeted investment income the ratio of financing costs to the net revenue stream for 2023/24 has reduced from 27% at the time of setting the budget (and included in the Treasury Management strategy) to 18% now.

Other Prudential Indicators

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

Gearing Calculation	Actual 2020-21 £'000	Actual 2021-22 £'000	Actual 2022-23 £'000	Budget 2023-24 £'000	Estimate 2023-24 £'000	Estimate 2024-25 £'000	Estimate 2025-26 £'000	Operational Boundary £'000
Capital Expenditure			9,661	29,322	29,322	15,324	2,591	
New Borrowing			-	24,837	24,837	11,471	485	
Net Assets	88,861	108,409	118,070	156,610	147,392	162,715	165,306	211,291
Long Term Assets	182,088	185,420	195,081	233,621	224,403	239,726	242,317	288,302
Capital Financing Requirement	72,683	71,970	71,100	97,524	95,033	105,337	104,535	135,000
RATIOS:								
Debt: Net Assets	82%	66%	60%	62%	64%	65%	63%	64%
Debt: Long Term Assets	40%	39%	36%	42%	42%	44%	43%	47%

The forecast ratio of debt to net assets for 2023/24 has increased from 62% at the time of setting the budget to a forecast of 64% now. This is due to a lower level of assets being used in the calculation as not all the capital expenditure plans of the 2022/23 budget were achieved in the year.

Appendix 2 - Approved countries for investments as of 30th June 2023

Based on lowest available rating

AAA

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

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)

AA-

- Belgium
- France (downgraded by Fitch on 9th May 2023)
- Qatar
- **U.K.**

Appendix 3 – COMMON ABBREVIATIONS USED FINANCE REPORTS

CE: Capital Economics - is the economics consultancy that provides Link Group, Treasury solutions, with independent economic forecasts, briefings and research.

CFR: Capital Financing Requirement - the council's annual underlying borrowing need to finance capital expenditure and a measure of the council's total outstanding indebtedness.

CIPFA: Chartered Institute of Public Finance and Accountancy – the professional accounting body that oversees and sets standards in local authority finance and treasury management.

CPI: consumer price index – the official measure of inflation adopted as a common standard by countries in the EU. It is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them.

DLUHC: the Department for Levelling Up, Housing and Communities - the Government department that directs local authorities in England.

ECB: European Central Bank - the central bank for the Eurozone

EU: European Union

EZ: Eurozone -those countries in the EU which use the euro as their currency

Fed: the Federal Reserve System, often referred to simply as "the Fed," is the central bank of the United States. It was created by the Congress to provide the nation with a stable monetary and financial system.

FOMC: the Federal Open Market Committee – this is the branch of the Federal Reserve Board which determines monetary policy in the USA by setting interest rates and determining quantitative easing policy. It is composed of 12 members--the seven members of the Board of Governors and five of the 12 Reserve Bank presidents.

GDP: gross domestic product – a measure of the growth and total size of the economy.

G7: the group of seven countries that form an informal bloc of industrialised democracies--the United States, Canada, France, Germany, Italy, Japan, and the United Kingdom--that meets annually to discuss issues such as global economic governance, international security, and energy policy.

Gilts: gilts are bonds issued by the UK Government to borrow money on the financial markets. Interest paid by the Government on gilts is called a coupon and is at a rate that is fixed for the duration until maturity of the gilt, (unless a gilt is index linked to inflation); while the coupon rate is fixed, the yields will change inversely to the price of gilts i.e., a rise in the price of a gilt will mean that its yield will fall.

HRA: housing revenue account.

IMF: International Monetary Fund - the lender of last resort for national governments which get into financial difficulties.

MPC: the Monetary Policy Committee is a committee of the Bank of England, which meets for one and a half days, eight times a year, to determine monetary policy by setting the official interest rate in the

United Kingdom, (the Bank of England Base Rate, commonly called Bank Rate), and by making decisions on quantitative easing.

MRP: minimum revenue provision - a statutory annual minimum revenue charge to reduce the total outstanding CFR, (the total indebtedness of a local authority).

PFI: Private Finance Initiative – capital expenditure financed by the private sector i.e., not by direct borrowing by a local authority.

PWLB: Public Works Loan Board – this is the part of H.M. Treasury which provides loans to local authorities to finance capital expenditure.

QE/QT: quantitative easing – is an unconventional form of monetary policy where a central bank creates new money electronically to buy financial assets, such as government bonds, (but may also include corporate bonds). This process aims to stimulate economic growth through increased private sector spending in the economy and also aims to return inflation to target. These purchases increase the supply of liquidity to the economy; this policy is employed when lowering interest rates has failed to stimulate economic growth to an acceptable level and to lift inflation to target. Once QE has achieved its objectives of stimulating growth and inflation, QE will be reversed by selling the bonds the central bank had previously purchased, or by not replacing debt that it held which matures. This is called quantitative tightening. The aim of this reversal is to ensure that inflation does not exceed its target once the economy recovers from a sustained period of depressed growth and inflation. Economic growth, and increases in inflation, may threaten to gather too much momentum if action is not taken to ‘cool’ the economy.

RPI: the Retail Price Index is a measure of inflation that measures the change in the cost of a representative sample of retail goods and services. It was the UK standard for measurement of inflation until the UK changed to using the EU standard measure of inflation – Consumer Price Index. The main differences between RPI and CPI is in the way that housing costs are treated and that the former is an arithmetical mean whereas the latter is a geometric mean. RPI is often higher than CPI for these reasons.

SONIA: the Sterling Overnight Index Average. Generally, a replacement set of indices (for LIBID) for those benchmarking their investments. The benchmarking options include using a forward-looking (term) set of reference rates and/or a backward-looking set of reference rates that reflect the investment yield curve at the time an investment decision was taken.

TMSS: the annual treasury management strategy statement reports that all local authorities are required to submit for approval by the full council before the start of each financial year.

VRP: a voluntary revenue provision to repay debt, in the annual budget, which is additional to the annual MRP charge, (see above definition).

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Report To: Cabinet

Date of Meeting: 4th September 2023

Report Title: Cornwallis Street Hotel project increase to capital programme budget

Report By: Jane Hartnell, Chief Executive

Key Decision: Y

Classification: Open

Purpose of Report

To seek approval to increase the capital programme budget for the development of a hotel and restaurant at Cornwallis Street following receipt of final tenders for the works.

Recommendation(s) that:

- 1. Cabinet recommends Full Council approves the increase in the capital programme budget to £13.601m for the development of the hotel at Cornwallis Street.**
- 2. Full Council approves the use of capital receipts from the land and property disposal programme as a financially prudent approach to help fund the capital programme as set out in the Council's Treasury Management Strategy.**

Reasons for Recommendations

1. The council entered into an agreement in 2021 to build and lease a hotel on the site at Cornwallis Street as a regeneration project and to address the significant under-provision of hotel bed-spaces in the town.
2. The council tendered for the build work and following two procurement exercises, a preferred contractor has been identified, however the tender price has exceeded the estimated capital programme budget.
3. Decisions regarding increases to the capital programme are required to be made by Full Council.
4. Cabinet is therefore recommending to Full Council that the budget is increased to the sum of £13.601m (including a significant contingency budget).
5. The use of capital receipts (from the sale of surplus assets) to reduce the level of borrowing required and MRP (minimum revenue provision) payable is recommended as part of a prudent and balanced Treasury Management strategy.

Introduction

1. The establishment of a major hotel group in the town centre of Hastings has been a long-term ambition of the council to counter the well-documented under-provision of bedspaces.

Project History

2. The council was approached in 2019 by a developer/hotel chain with a conditional offer development of a hotel at Cornwallis Street.
3. **Please note, all details about the terms of the offer remain commercially sensitive and are therefore included in an accompanying confidential 'Part II' report.**
4. On 7 Oct 2019, the Cabinet unanimously agreed to proceed to market the site in accordance with EU procurement rules on the basis that the Council develops the site for a hotel operator and lets the site on a long lease of 20 years or more.
5. The objectives of the scheme are to:
 - increase the town's tourism offer and in demand bed-spaces
 - regenerate the immediate local area, impacting on the sustainability of the town centre and night-time economy (an estimated 35,040 people could stay overnight per year)
 - increase employment opportunities (estimated at 17 staff, of which 14 would be full time.)
 - support car-free tourism due to the location of the hotel, near to the train station
 - retain and enhance the town's attractiveness to businesses and visitor/tourist experience
 - diversify the property portfolio
 - provide the Council with an additional long term income stream and retain freehold of a of a fixed asset – which is expected to increase in value
6. The early legal agreements were not concluded due to the on-set of the Covid-19 pandemic.
7. Revised terms were subsequently considered by the Cabinet in July 2020 and then again in January 2021. The terms were based on construction of an 80 bed hotel, a 25 year lease, and substantial rental income. The reports contained commercially confidential and exempt information and so were considered Part II reports i.e. information to be considered in private session.
8. The Cabinet reports set out a number of risks, including:
 - That once signed HBC would be committed to deliver a hotel and should building costs spiral, the margin would be squeezed, but the economic and regeneration benefits remain in terms of town centre and the night-time economy and sustainability.
 - A risk of increased construction costs – external advice at the time was that costs had not increased significantly (however as with all capital projects, until they are tendered there could be no definitive cost established)
 - Achieving planning consent – planning permission was subsequently achieved.

9. The Cabinet also noted that as a result of the pandemic, efforts would be required to ensure the rapid transformation of the town centre and enhancement of its sustainability, along with the visitor/tourist experience of Hastings. The post-pandemic environment has made this even more important to do at pace.

10. Cabinet on 4th January 2021 considered the revised terms for the development and agreed to progress. An Agreement for Lease (AFL) was completed on 20 January 2021 and committed the council to delivering the project.

Progress to date

11. Planning consent for the hotel was achieved on 15 August 2022.

12. Two tender exercises were undertaken, the first resulted in tenders in excess of the budget and which were also not suitable.

13. The second exercise identified a preferred contractor, with experience of developing to the hotel operator's specification, but at a cost that exceeds the budget in the capital programme.

14. The build will also be subject to updated building regulations which came into force earlier this year. The build will now be required to produce less carbon emissions and incorporate low energy measures. Whilst this is positive, it will however add additional costs.

15. In parallel however, on-going negotiations with the hotel operator have secured an improved offer – including higher rent, a reduced rent-free period, and an extension to the build end-date.

16. The assumption is that the overall value of the hotel (the capital asset) has also increased significantly to date and will therefore potentially continue to do so over the lifetime of the project.

Financial implications

17. The full details of how it is proposed that the council funds the project is set out in Part II.

18. Full Council will therefore be recommended to increase the capital programme to reflect this approach.

Urgency

19. The procurement exercise to identify a preferred tenderer has only recently been completed. A period of clarifications was required. The preferred tender cannot be secured by legal contract until there is Full Council approval to increase to the capital programme budget, hence the need for an urgent report to Cabinet and then Council on 20th September.

Timetable of Next Steps

Action	Key milestone	Due date (provisional)	Responsible
--------	---------------	------------------------	-------------

Capital programme budget increased	Full council decision	20 th September 2023	Chief Executive
Build contracts agreed		21 st September	Chief Legal Officer
Project commencement date		TBC	Property and Commercial Assets Manager

Wards Affected

Castle;

Policy Implications

Have you used relevant project tools?: Y

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

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

Additional Information

7th October 2019 –

<https://hastingsintranet.moderngov.co.uk/documents/s36172/Cabinet%20Report%20-%207%20October%202019%20-%20Potential%20Development%20-%20at%2018%20September%202019%20VC.SH%204.pdf>

Officer to Contact

Jane Hartnell, Chief Executive

Email: chiefexecutive@hastings.gov.uk

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

Document is Restricted

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