Rother District Council Public Document Pack

Cabinet

Date and Time - **Monday 1 July 2019 – 6:30pm**

Venue - **Council Chamber, Town Hall, Bexhill**

Councillors appointed to the Committee:
Councillor D.B. Oliver (Leader), S.M. Prochak (Deputy Leader), Mrs C.A. Bayliss, J.H.F. Brewerton, C.A. Clark, Mrs D.C. Earl-Williams, K.M. Field and J. Vine-Hall.

AGENDA

1. **MINUTES**

   To authorise the Leader to sign the Minutes of the meeting held on 3 June 2019 as a correct record of the proceedings.

2. **APOLOGIES FOR ABSENCE**

3. **ADDITIONAL AGENDA ITEMS**

   To consider such other items as the Leader decides are urgent and due notice of which has been given to the Head of Paid Service by 9:00am on the day of the meeting.

4. **URGENT DECISIONS**

   The Leader to give details of those reports that have been referred to the Chairman of the Council to consider designating as urgent, in accordance with Rule 17 of the Overview and Scrutiny Procedure Rules contained within Part 4 of the Council Constitution, and to which the call-in procedure will not therefore apply.

5. **DISCLOSURE OF INTERESTS**

   To receive any disclosure by Members of personal and disclosable pecuniary interests in matters on the agenda, the nature of any interest and whether the Member regards the personal interest as prejudicial under the terms of the Code of Conduct. Members are reminded of the need to repeat their declaration immediately prior to the commencement of the item in question.

At the discretion of the Leader, the order of the items set out in the agenda may be varied

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Tel: 01424 787811

Rother District Council aspiring to deliver…
an Efficient, Flexible and Effective Council, Sustainable Economic Prosperity, Stronger, Safer Communities and a Quality Physical Environment

6. **HOUSING ALLOCATIONS POLICY** (Pages 1 - 4)

7. **TREASURY MANAGEMENT UPDATE** (Pages 5 - 28)

8. **PROVISIONAL REVENUE BUDGET AND CAPITAL PROGRAMME MONITORING QUARTER 4 2018/19** (Pages 29 - 38)

9. **FESTIVE LIGHTS IN BEXHILL** (Pages 39 - 40)

10. **LAND AT NORTHIAM CAR PARK, MAIN STREET NORTHIAM** (Pages 41 - 44)

11. **RESIDENTIAL DEVELOPMENT AT BLACKFRIARS** (Pages 45 - 60)

12. **USE OF MEETING ROOMS BY POLITICAL GROUPS** (Pages 61 - 62)

Dr Anthony Leonard
Executive Director

Agenda Despatch Date: 21 June 2019

Rother District Council

Report to	-	Cabinet
Date	-	1 July 2019
Report of the	-	Executive Director
Subject	-	Housing Allocations Policy

The Overview and Scrutiny Committee meeting held on 10 June 2019, considered a report on the Council's Housing Allocations Policy. The recommendation and minute arising is reproduced below.

Recommendation: It be **RESOLVED**: That the draft Consultation Plan and draft Housing Allocations Policy for consultation with residents and wider stakeholders be approved.

OSC19/08. **HOUSING ALLOCATIONS POLICY**

Members received the report of the Executive Director on the Housing Allocations Policy, which was to provide a framework for the equitable, effective and accountable allocation of social housing. Social housing was in very limited supply and accounted for only 10% of the total housing stock in Rother; this percentage was below the national average of 17%. Therefore, only those in the highest housing need, with a local connection to the area were likely to obtain social housing.

There was also a growing demand for social housing locally. The main factor contributing to this rise in demand was the inability of many households on low incomes to be able to afford other forms of housing. At the time, there were 1,600 households on the Housing Register with only 192 allocations having been awarded in 2018/19.

The draft Housing Allocations Policy at Appendix 1 to the report had been developed following an officer-led review, which was to ensure that the draft Housing Allocations Policy continued to meet its stated objectives effectively.

A factor in the Council's ability to make changes to the Housing Allocations Policy was that it had a duty to provide 'reasonable preference' to certain categories of household when considering both their eligibility for the register and their priority for housing, as these were ensured under statute. Examples included the requirement to afford local connection to households fleeing domestic violence from another area and the need to provide a level of priority to households that were homeless. There were a number of other types of urgent housing needs to be considered, and it was also important to recognise the role of the Housing Allocations Policy in supporting the redistribution of family-sized social housing from older households without children within their household to younger households with children.

Members were provided with a detailed description of the main changes being proposed within the consultation at Appendix 3 to the report. The main change proposed was to revise the banding structure; the present Housing Allocations Policy consisted of four bands and the proposal was to move to a new two-band system. Households in the most urgent housing need would all be given equal priority and be placed in an 'urgent priority' band. All other households, assessed as eligible for the register, would be placed in a second, lower priority band known as the 'waiting list'. The proposal was that households within the second band would be awarded points, which would be allocated according to their level of housing need.

A second significant proposed change was a revision of the order in which households were nominated for social housing. This process was important as the need to nominate households according to their level of housing need did not support the Council to meet its objective to promote socially, economically and demographically balanced communities.

It was proposed that when awarding social housing, the Council would firstly prioritise households on the Housing Register with the highest level of housing need; from the remaining list of households (who would have the same level of priority) an assessment of local connection would be made to reduce the list of potential nominees further; finally, the assessor would consider how long any remaining households had been on the Housing Register and nominate the remaining households accordingly.

The draft consultation plan attached at Appendix 2 to the report, set out the groups that would be consulted and the methods of engagement. The majority of the consultation would take place via an online questionnaire, however, telephone and written consultation responses would be accepted and would take place between 8 July and 30 August 2019. The policy was then to be reviewed and brought back to Overview and Scrutiny Committee towards the end of the year.

Members had the opportunity to raise questions and the following points were noted:

- Members agreed that it was important to consider local connections when assessing level of need, so that applicants remained close to family and friends;
- the consultation document would be completed by a small test group prior to wider circulation, to ensure appropriate tone of voice used;
- the consultation would be open to all via My Alerts and the website, in addition to the most relevant groups being targeted;
- the scheme would be reviewed annually to ensure it remained fit for purpose;
- paper copies and assistance with completing the questionnaire would be available at the help points; and
- the Probation Service had not been included in the list of organisations to consult with, due to the complex issues it dealt with.

(Overview and Scrutiny Committee Agenda Item 7).

Dr Anthony Leonard
Executive Director

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Rother District Council

Report to	-	Cabinet
Date	-	1 July 2019
Report of the	-	Executive Directors
Subject	-	Treasury Management Update

Recommendation to COUNCIL: That the revised authorised limit and operational boundary for external debt contained in the Treasury Management Strategy be approved.

Assistant Director Resources: Robin Vennard
Lead Cabinet Member: Councillor Oliver

Introduction

1. Cabinet approved the Council's 2019/20 Treasury Management Strategy Statement and Annual Investment Strategy in February this year (Appendix A). In managing its treasury management activities, the Council follows the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017).

2. By way of explanation, 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.

3. 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 the Council 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 Council risk or cost objectives.

4. The contribution the treasury management function makes to the authority 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.

Review of Treasury Indicators – Authorised Limit and Operational Boundary

5. Part of the Treasury Strategy sets the external debt (borrowing) limits for the Council. This takes account of the Council's long term borrowing and any short term cash flow borrowing needs. The Council's capital expenditure plans are the key driver for setting these limits. The capital expenditure plans are reflected in the prudential indicators, which are designed to assist Members' overview and confirm capital expenditure plans. There are two limits that the Council sets;

6. **The operational boundary**. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the Capital Financing Requirement (CFR), but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

7. **The authorised limit for external debt**. This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

8. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. 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.

9. Following a review of the capital expenditure plans, particularly in relation to the property investment strategy and the likely timing of investments, Members are asked to recommend to full Council to increase the limits previously agreed (Appendix A paragraph 28) to the following:

	2018/19 Forecast £ (000)	**2019/20 Budget £ (000)**	**2020/21 Budget £ (000)**	**2021/22 Budget £ (000)**	**2022/23 Budget £ (000)**	**2023/24 Budget £ (000)**
Authorised Limit	40,900	57,400	67,300	67,300	67,300	67,300
Operational boundary	37,000	52,000	61,000	61,000	61,000	61,000

Conclusion

10. The above changes ensure the Council's treasury management and investment strategies remain robust in managing the Council's cash funds and borrowing.

Malcolm Johnston
Executive Director

Dr Anthony Leonard
Executive Director

Risk Assessment Statement
There are no direct risks arising from this report.

Appendix A

Treasury Management Strategy for 2019/20 – Approved by Full Council 25 February 2019

1. The strategy for 2019/20 covers two main areas:

   a. Capital issues
   - the capital expenditure plans and the associated prudential indicators;
   - the minimum revenue provision (MRP) policy.

   b. 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
   - the policy on use of external service providers.

2. These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, Ministry of Housing, Communities and Local Government (MHCLG) Minimum Revenue Provision (MRP) Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.

Training

3. 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 of the treasury management function. Training has been undertaken by Members in June 2018 on the legislation and treasury activities of the Council and further training will be arranged after the election of a new Council in May 2019. The training needs of treasury management officers are periodically reviewed.

Treasury management consultants

4. The Council uses Link Asset Services, Treasury Solutions as its external treasury management advisors.

5. The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

6. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the

methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

7. The scope of investments within the Council's operations now includes both conventional treasury investments, (the placing of residual cash from the Council's functions), and more commercial type investments, such as investment properties in support of its Property Investment Strategy. The commercial type investments require specialist advisers, and the Council uses appropriately qualified companies in relation to this activity.

The Capital Prudential Indicators

8. 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.

Capital expenditure

9. 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.

	2018/19 forecast	**2019/20 budget**	**2020/21 budget**	**2021/22 budget**	**2022/23 budget**	**2023/24 budget**
General Fund Services	4,614	7,447	535	238	238	238
Regeneration Investments	2,512	12,488	20,000	0	0	0
TOTAL	7,126	19,935	20,535	238	238	238

10. The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

	2018/19 forecast	**2019/20 budget**	**2020/21 budget**	**2021/22 budget**	**2023/24 budget**
External Sources	1,429	3,497	0	0	0
Own Resources	3,138	3,950	535	238	238
Borrowing	2,559	12,488	20,000	0	0
TOTAL	**7,126**	**19,935**	**20,535**	**238**	**238**

The Council's borrowing need (the Capital Financing Requirement)

11. The second prudential indicator is the Council'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 indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

12. The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the

indebtedness in line with each assets life, and so charges the economic consumption of capital assets as they are used.

13. The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility by the PFI, PPP lease provider and so the Council is not required to separately borrow for these schemes. The Council currently does not have any such schemes within the CFR.

14. The CFR projections are shown below:

	31.3.19 forecast	**31.3.20 budget**	**31.3.21 budget**	**31.3.22 budget**	**31.3.23 budget**	**31.3.24 budget**
General Fund Services#	1,138	1,136	1,134	1,132	1,130	1,128
Regen Investments	2,512	15,000	34,844	34,553	34,038	33,511
TOTAL	**3,650**	16,136	35,978	35,685	35,168	34,639

#including adjustment "A" £1.091m

Movement in CFR

	31.3.19 forecast	**31.3.20 budget**	**31.3.21 budget**	**31.3.22 budget**	**31.3.23 budget**	**31.3.24 budget**
Net financing need for the year (above)	3,650	16,136	35,978	35,685	35,168	34,639
Less MRP/VRP and other financing movements	0	156	291	515	527	540
Movement in CFR	**3,650**	**15,980**	**35,687**	**35,170**	**34,641**	**34,099**

15. A key aspect of the regulatory and professional guidance is that elected Members are aware of the size and scope of any commercial activity in relation to the authority's overall financial position. The capital expenditure figures shown in above and the details above demonstrate the scope of this activity and, by approving these figures, consider the scale proportionate to the Authority's remaining activity.

Affordability Prudential Indicator

16. Prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicator:

Ratio of Financing Costs to Net Revenue Stream

17. 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.

	2018/19 forecast	2019/20 budget	2020/21 budget	2021/22 budget	2022/23 budget	2023/24 budget
Financing costs (£000)	64	376	1,163	1,380	1,379	1,379
Proportion of net revenue stream	0.5%	2.5%	8.6%	10.5%	10.4%	10.3%

18. The table shows that the proportion of the Council's net revenue stream (Council Tax, share of business rates and grants) at risk increases to over 10% due to the investments made under the Property Investment Strategy.

Core Funds and Expected Investment Balances

19. The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the Revenue Budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances.

Year End Resources £m	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Fund balances / reserves	-14,781	-11,670	-9,756	-8,520	-7,552	-6,902
Capital receipts	-2,725	-845	-895	-945	-995	-1,045
Provisions	-700	-700	-700	-700	-700	-700
Total core funds	**-18,206**	**-13,215**	**-11,351**	**-10,165**	**-9,247**	**-8,647**
Working capital	-1,800	-1,800	-1,800	-1,800	-1,800	-1,800
Expected investments	**-20,006**	**-15,015**	**-13,151**	**-11,965**	**-11,047**	**-10,447**

Working capital balances shown are estimated year-end; these may be higher mid-year

Minimum Revenue Provision (MRP) Policy Statement

20. The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

21. MHCLG regulations have been issued which require the full Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement:

22. From 1 April 2008 for all unsupported borrowing (including PFI and finance leases if entered into) the MRP policy will be:

Asset life method – MRP will be based on the estimated life of the assets, in accordance with the regulations; this provides for a reduction in the borrowing need over approximately the assets' life. Note that for the Council's commercial type investments in support of the Council's Property Investment Strategy MRP will be based on an annuity based method over the assets life.

MRP Overpayments - A change introduced by the revised MHCLG MRP Guidance made allowance for any charges made over the statutory minimum

revenue provision (MRP), voluntary revenue provision or overpayments, can, if needed, to 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. Up until the 31 March 2019 the total VRP overpayments were nil.

Borrowing

23. The capital expenditure plans set out above 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 and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

	Actual £'000 31.3.18	**Actual % 31.3.18**	**Actual £'000 15.1.19**	**Actual % 15.1.19**
Treasury Investments				
Nat West	5,018	30.3%	2,000	8.4%
Lloyds Bank Plc.	6,242	37.7%	3,500	14.7%
Bank of Scotland	5,300	32.0%	5,300	22.3%
Santander UK plc.	2	0.0%	4,951	20.8%
Barclays Bank	1	0.0%	1	0.0%
TOTAL managed funds in-house	**16,563**	**100.0%**	**15,752**	**66.3%**
Property Funds	0	0.0%	8,000	33.7%
TOTAL treasury investments	**16,563**	**100.0%**	**23,752**	**100.0%**
Treasury External Borrowing				
PWLB	0	0%	900	100%
NET Treasury investments	**16,563**		**22,852**	

24. The Council's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

	31.3.19 forecast	**31.3.20 budget**	**31.3.21 budget**	**31.3.22 budget**	**31.3.23 budget**	**31.3.24 budget**
Gross Debt	2,559	14,846	35,648	35,135	34,610	34,072
Capital Financing Requirement	3,650	15,982	36,782	36,267	35,740	35,200

25. Within the above figures the level of debt relating to commercial activities / non-financial investment is:

	31.3.19 forecast	31.3.20 budget	31.3.21 budget	31.3.22 budget	31.3.23 budget	31.3.24 budget
External Debt for commercial activities / non-financial investments						
Actual debt at 31 March £m	2,512	14,846	35,648	35,135	34,610	34,072
Percentage of total external debt %	99%	100%	100%	100%	100%	100%

26. Within the range of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2019/20 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.

27. The Assistant Director, Resources (Chief Finance Officer) reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

Treasury Indicators: limits to borrowing activity

28. **The operational boundary.** This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

	2018/19 limit	2019/20 limit	2020/21 limit	2021/22 limit	2022/23 limit	2023/24 limit
Commercial activities/ non-financial investments	6,000	20,000	41,000	40,000	40,000	40,000
GF Services	10,000	10,000	10,000	10,000	10,000	10,000
Authorised limit – total external debt	**16,000**	**30,000**	**51,000**	**50,000**	**50,000**	**50,000**

29. The authorised limit for external debt. This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

30. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. 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.

31. The Council is asked to approve the following authorised limit:

	2018/19 limit	2019/20 limit	2020/21 limit	2021/22 limit	2022/23 limit	2023/24 limit
Commercial activities/ non-financial investments	6,000	20,000	41,000	40,000	40,000	40,000
GF Services	15,000	15,000	15,000	15,000	15,000	15,000
Authorised limit – total external debt	**21,000**	**35,000**	**56,000**	**55,000**	**55,000**	**55,000**

Prospects for interest rates

32. The Council has appointed Link Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives our central view.

Link Asset Services Interest Rate View	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	1.75%	2.00%
3 Month LIBID	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%
6 Month LIBID	1.00%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%
12 Month LIBID	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%
5yr PWLB Rate	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.80%
10yr PWLB Rate	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%
25yr PWLB Rate	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.40%

33. The flow of generally positive economic statistics after the quarter ended 30 June 2018 meant that it came as no surprise that the MPC came to a decision on 2 August to make the first increase in Bank Rate above 0.5% since the financial crash, from 0.5% to 0.75%. Growth became increasingly strong during 2018 until slowing significantly during the last quarter. At their November quarterly Inflation Report meeting, the MPC left Bank Rate unchanged, but expressed some concern at the Chancellor's fiscal stimulus in his Budget, which could increase inflationary pressures. However, it is unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. On a major assumption that Parliament and the EU agree a Brexit deal in the first quarter of 2019, then the next increase in Bank Rate is forecast to be in May 2019, followed by increases in February and November 2020, before ending up at 2.0% in February 2022.

34. The overall longer run future trend is for gilt yields, and consequently PWLB rates, to rise, albeit gently. However, over about the last 25 years, we have been through a period of falling bond yields as inflation subsided to, and then stabilised at, much lower levels than before, and supported by central banks implementing substantial quantitative easing purchases of government and other debt after the financial crash of 2008. Quantitative easing, conversely, also caused a rise in equity values as investors searched for higher returns and purchased riskier assets. In 2016, we saw the start of a reversal of this trend with a sharp rise in bond yields after the US Presidential election in November 2016, with yields then rising further as a result of the big increase in the US government deficit aimed at stimulating even stronger economic

growth. That policy change also created concerns around a significant rise in inflationary pressures in an economy which was already running at remarkably low levels of unemployment. Unsurprisingly, the Fed has continued on its series of robust responses to combat its perception of rising inflationary pressures by repeatedly increasing the Fed rate to reach 2.25 – 2.50% in December 2018. It has also continued its policy of not fully reinvesting proceeds from bonds that it holds as a result of quantitative easing, when they mature. We therefore saw US 10 year bond Treasury yields rise above 3.2% during October 2018 and also investors causing a sharp fall in equity prices as they sold out of holding riskier assets. However, by early January 2019, US 10 year bond yields had fallen back considerably on fears that the Fed was being too aggressive in raising interest rates and was going to cause a recession. Equity prices have been very volatile on alternating good and bad news during this period.

35. From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment. Such volatility could occur at any time during the forecast period.

36. 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, especially in the EU, 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.

Investment and borrowing rates

37. Investment returns are likely to remain low during 2019/20 but to be on a gently rising trend over the next few years. Borrowing interest rates have been volatile so far in 2018-19 and while they were on a rising trend during the first half of the year, they have backtracked since then until early January. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt. There will remain a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

Borrowing Strategy

38. The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

39. Against this background and the risks within the economic forecast, caution will be adopted with the 2019/20 treasury operations. The Assistant Director,

Resources will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was 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.

- *if it was 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 an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

40. Any decisions will be reported to Cabinet and the Audit and Standards Committee at the next available opportunity.

Policy on borrowing in advance of need

41. 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 within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

42. 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 rescheduling

43. As short-term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long-term debt to short-term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

44. The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

45. Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt. All rescheduling will be reported to Cabinet and the Audit and Standards Committee at the earliest meeting following its

action. At present this is not required as the Council has only recently entered into its only loan with PWLB.

Appendix B

ANNUAL INVESTMENT STRATEGY

Investment policy – management of risk

1. 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 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, (a separate report).

2. The Council's investment policy has regard to the following:
   - MHCLG's Guidance on Local Government Investments ("the Guidance")
   - CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
   - CIPFA Treasury Management Guidance Notes 2018

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

4. The above guidance from the MHCLG and CIPFA place a high priority on the management of risk. This authority 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 banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

   d. This authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in appendix 1 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.
      - **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. **Non-specified investments limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments as shown in Appendix 1,

f. **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table below

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

h. This authority will set a limit for the amount of its investments which are invested for **longer than 365 days**.

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

j. This authority has engaged **external consultants**, to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.

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

l. As a result of the change in accounting standards for 2018/19 under **IFRS 9,** this authority 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 Ministry of Housing, Communities and Local Government, [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 commencing from 1.4.18.)

5. However, this authority will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 4.5). Regular monitoring of investment performance will be carried out during the year.

Creditworthiness policy

6. This Council applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

7. 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 coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands:

- Yellow 5 years
- Dark pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25
- Light pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
- Purple 2 years
- 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

8. The Link Asset Services' creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

9. 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.

10. All credit ratings are monitored regularly. The Council is alerted to changes to ratings of all three agencies through its use of the Link Asset Services' creditworthiness service. If a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately. In addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link Asset Services. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list. 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 any external support for banks to help support its decision making process.

	Colour	£limit or % of Fund Limit	Time Limit
Banks and Building Societies – part nationalised	Blue	30%	1 yr
Banks and Building Societies	Red	50%	6 months

Banks and Building Societies	Green	50%	100 days
Banks and Building Societies	No colour	Not to be used	N/A
Council's banker	Not applicable	Unlimited/ 100%	1 day

UK banks – ring fencing

11. The largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), are required, by UK law, to separate core retail banking services from their investment and international banking activities by 1st January 2019. This is known as "ring-fencing". Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt up. Several banks are very close to the threshold already and so may come into scope in the future regardless.

12. Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler, activities offered from within a ring-fenced bank, (RFB), will be focused on lower risk, day-to-day core transactions, whilst more complex and "riskier" activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is intended to ensure that an entity's core activities are not adversely affected by the acts or omissions of other members of its group.

13. While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Council will continue to assess the new-formed entities in the same way that it does others and those with sufficiently high ratings, (and any other metrics considered), will be considered for investment purposes.

Country limits

14. The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch. The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 2. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

15. The Council's available funds will be spread among different counterparties in order to minimise the risk of loss.

Use of additional information other than credit ratings

16. Additional requirements under the Code require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating Watches/Outlooks) will be applied to compare the relative security of differing investment counterparties.

Investment Strategy

17. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While part of the cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed. If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable. Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

Investment returns expectations

18. Bank Rate is forecast to increase steadily but slowly over the next few years to reach 2.00% by quarter 1 2022. Bank Rate forecasts for financial year ends (March) are:

- 2018/19 0.75%
- 2019/20 1.25%
- 2020/21 1.50%
- 2021/22 2.00%

19. The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

	Now
2018/19	0.75%
2019/20	0.75% to 1.00%
2020/21	1.50%
2021/22	1.75%
2022/23	1.75%
2023/24	2.00%
Later years	2.50%

20. The overall balance of risks to economic growth in the UK is probably neutral. The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

21. **Investment treasury indicator and limit** - total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The Council is asked to approve the following treasury indicator and limit:

Maximum principal sums invested > 365 days			
	2018/19	**2019/20**	**2020/21**
Principal sums invested > 365 days	£10,000,000	£10,000,000	£10,000,000

22. For its cash flow generated balances, the Council will seek to utilise its instant access and notice accounts, money market funds and short-dated deposits, (overnight to 100 days), in order to benefit from the compounding of interest.

Investment risk benchmarking

23. This Council will use an investment benchmark to assess the investment performance of its investment portfolio of 7 day rate for cash deposit investments.

End of year investment report

24. At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

Policy on the use of external service providers

25. The Council uses Link Asset Services as its external treasury management advisors.

26. The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

27. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

Scheme of delegation

28. Please see Appendix 3.

Role of the Section 151 Officer

29. Please see Appendix 4.

TREASURY MANAGEMENT PRACTICE – CREDIT AND COUNTERPARTY RISK

Specified Investments:

1. All such investments will be sterling denominated, with maturities up to maximum of one year, meeting the minimum 'high' quality criteria where applicable.

•

2. A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made, it will fall into one of the following categories shown below:

	Minimum credit criteria / colour band	**** Max % of total investments/ £ limit per institution**	**Max. maturity period**
DMADF – UK Government	N/A	**100%**	**6 months**
UK Government gilts	UK sovereign rating	50%	1 year subject to guidance
UK Government Treasury bills	UK sovereign rating	20%	1 year subject to guidance
Bonds issued by multilateral development banks	AAA	20%	1 year subject to guidance
Money Market Funds CNAV	AAA	20%	Liquid
Money Market Funds LVAV	AAA	20%	Liquid
Money Market Funds VNAV	AAA	20%	Liquid
Ultra-Short Dated Bond Funds with a credit score of 1.25	AAA	20%	Liquid
Ultra-Short Dated Bond Funds with a credit score of 1.5	AAA	20%	Liquid
Local authorities	N/A	50%/ £2M	12 months
UK Banks and building societies	Refer to Creditworthiness Policy	100%, Unlimited with Council's own banker, £5m limit in UK banks and building societies other than the Council's subsidiaries where is £10m	1 year
Term deposits with banks and building societies	Refer to Creditworthiness Policy	100%, £5m limit in UK banks and building societies other than the Council's own banker. £10 m in the Council's own bank and its subsidiaries, £2m in foreign banks	1 year
CDs or corporate bonds with banks and building societies	Refer to Creditworthiness Policy	20%	1 year

Non-specified investments: – are any other type of investment (i.e. not defined as specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Non specified investments would include any sterling investments with:

	Non Specified Investment Category	**Limit (£ or %)**
a.	Supranational bonds greater than 1 year to maturity (a) Multilateral development bank bonds – these are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. European Reconstruction and Development Bank etc.). (b) A financial institution that is guaranteed by the United Kingdom Government (e.g. National Rail, the Guaranteed Export Finance Company [GEFCO]) The security of interest and principal on maturity is on a par with the Government and so very secure. These bonds usually provide returns above equivalent gilt edged securities. However the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.	AAA long term ratings (or other of your choice)
b.	The Council's own banker if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.	
c.	Certificates of deposit issued by banks and building societies. Refer to Creditworthiness Policy	£3m – 10% of fund
d.	Property funds – the use of these instruments can be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. This Authority will seek guidance on the status of any fund it may consider using.	Specific authorisation required from Members
e.	Property purchases. The criteria for any purchase of property for investment purposes will meet the following broad criteria in the approved Property Investment Strategy (PIS). Appropriate due diligence will also be undertaken before investment of this type is undertaken.	In accordance with the PIS governance arrangements

NOTE 1: The Council will seek further advice on the appropriateness and associated risks with investments in these categories.

Appendix 2

APPROVED COUNTRIES FOR INVESTMENTS

Based on lowest available rating

AAA

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

AA+

- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France
- Hong Kong
- U.K.

AA-

- Belgium
- Qatar

AS AT 21.1.19

Appendix 3

Treasury Management Scheme of Delegation

1. **Full Council**

- receiving and reviewing reports on treasury management policies, practices and activities; and

- approval of annual strategy.

2. **Cabinet**

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;

- budget consideration and approval;

- approval of the division of responsibilities; and

- approving the selection of external service providers and agreeing terms of appointment.

3. **Audit and Standards Committee**

- reviewing the treasury management policy and procedures and making recommendations to the responsible body; and

- receiving and reviewing regular monitoring reports and acting on recommendations.

4. **Executive Directors, and Assistant Director, Resources (Section 151 Officer)**

- In the event that a counterparty, subsequent to an investment being made, falls below the minimum ratings required the following action is delegated to the Executive Directors or in his absence the Section 151 Officer;

- Fixed term deposits – allow the investment to mature and not withdraw its funding unless advised otherwise by the Council's treasury advisors; and

- In all situations the Section 151 Officer, Executive Directors will take the best course of action to protect the value of the investment based on advice received from the Council's treasury advisors.

Appendix 4

THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The S151 (responsible) officer duties include:

- recommending clauses, treasury management policy/practices for approval, 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
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- 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
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- 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
- 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
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees.
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- 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; and
    - 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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Rother District Council

Report to	-	Cabinet
Date	-	1 July 2019
Report of the	-	Executive Directors
Subject	-	Provisional Revenue Budget and Capital Programme Monitoring Quarter 4 2018/19

Recommendation: It be **RESOLVED:** That:

1) the draft outturn for 2018/19 be noted; and

2) the revised allocation of Earmarked Reserves set out in the report be approved.

Assistant Director Resources: Robin Vennard
Lead Cabinet Member: Councillor Oliver

Changes to the Revenue Budget

1. This report updates Members on the provisional outturn for the financial year 2018/19. There may be changes to the final position as the external auditors complete their work on reviewing the Council's statement of accounts. The final financial position for the Council is shown in the table below and further analysis is shown in subsequent paragraphs:

Table 1

Rother District Council – General Fund Summary

	2018/19 Budget £ (000)	2018/19 Outturn £ (000)	2018/19 Variance £ (000)	2018/19 Variance %
Executive Directors and Corporate Core	2,043	1,977	(66)	-3.2%
Environmental Services	740	110	(630)	-85.1%
Strategy and Planning	930	838	(92)	-9.9%
Acquisitions, Transformation and Regeneration	132	(30)	(162)	-122.7%
Housing and Community Services	5,421	5,206	(215)	-4.0%
Resources	3,286	3,164	(122)	-3.7%
Total Cost of Services	12,552	11,265	(1,287)	-10.0%
Interest from Investments	(512)	(446)	66	12.9%
Impairment losses	0	87	87	
Capital Expenditure Charged to Revenue	1,493	828	(665)	-44.5%
Interest payments	97	18	(79)	-81.4%
Net Cost of Services	**13,630**	**11,752**	**(1,878)**	**-14.0%**

	2018/19 Budget £ (000)	2018/19 Outturn £ (000)	2018/19 Variance £ (000)	2018/19 Variance %
Parish Precepts	1,549	1,549	0	0.0%
Special Expenses	(715)	(715)	0	0.0%
Business Rates				
Local Share of Business Rates	(7,141)	(7,141)	0	0.0%
s31 Grants	(1,350)	(1,536)	(186)	13.8%
Tariff	4,926	4,923	(3)	-0.1%
Levy payment on account	617	708	91	14.7%
Share of net retained Levy from the pool	0	(344)	(344)	
Revenue Support Grant	(73)	(73)	0	0.0%
Non-Specific Revenue Grants		0		
New Homes Bonus Grant	(714)	(714)	0	0.0%
Rural Services Delivery Grant	(38)	(61)	(23)	60.5%
New Burdens Grant and other Non-Specific Grants	0	(181)	(181)	
Local Council tax Support Grant	(101)	(101)	0	0.0%
Benefits Administration Grant	(233)	(236)	(3)	1.3%
Homelessness Grant - New Burdens	(41)	(41)	0	
Flexible Homeless Support Grant	(203)	(290)	(87)	42.9%
Council Tax Requirement (Rother and Parishes)	(8,125)	(8,125)	0	0.0%
Other Financing				
Collection Fund (Surplus)/Deficit	(5)	(4)	1	-20.0%
Contributions to Earmarked Reserves	0		0	
Contributions (from) Earmarked Reserves	(1,983)	630	2,613	-131.8%
Contributions to/(from) General Fund Balance	0	0	0	
Total Income	**(13,630)**	**(11,752)**	**1,878**	

Overall End of Year Position – Revenue Budget

2. The General Fund was in surplus for the year by £630,000, i.e. our income exceeded expenditure by this amount. This compares to the expected use of reserves of £1.98m when the budget was set to balance the budget and contribute to funding the Capital Programme. Where service savings identified in this report have an ongoing impact, these have been built into the 2019/20 Revenue Budget.

Review of significant variations to the Net Cost of Services

3. The main variations between the budgeted spend and actual spend are detailed below:

Executive Directors and Corporate Core – surplus (£66,000)

4. The majority of the underspend relates to savings on joint waste client unit and employment related costs.

Environmental Services – surplus (£630,000)

5. The Council's partnership with Wealden District Council for the delivery of Environmental Health Services delivered a saving for the year. The Council's share is £70,000 which was mainly as a result of staff vacancies. The vacancies have been actively managed and have not adversely effected overall performance of the service. Financial and service performance has been reported to the joint Council Board throughout the year.

6. Whilst also shown in the Capital Programme, Disabled Facilities Grants (DFG) are also required to be charged through the revenue account as the equipment or improvements to a resident's home do not belong to the Council. The total funding received from the Government was committed in year but the works not completed by year end. There was a consequent underspend of the grant which will be transferred to Earmarked Reserves to support the DFG expenditure in 2019/20.

Strategy and Planning – surplus (£92,000)

7. Slippage of £130,000 relating to the Local Plan. This work is planned to be funded from reserves and therefore the underspend reduces the amount of reserves utilised. Further expenditure is planned in 2019/20.

8. Planning fees were down £67,000 on the budgeted amount, possibly due to uncertainty in the property market due to delays in BREXIT.

9. Other savings were achieved by the Service, mainly employee costs due to delays in filling posts following the retirement of a number of officers during the year and difficulties in filling professional posts.

Acquisitions, Transformation and Regeneration – surplus (£162,000)

10. Extra income of £186,000 mainly due to backdated rents being recovered during the year.

11. Additional costs of £48,000 have been incurred in repairs to the Landgate, Rye which is an ancient monument.

Housing and Community Services – surplus (£215,000)

12. One off extra income of £250,000 was achieved from the sale of additional beach huts in Bexhill.

13. The Council incurred extra spend of £240,000 in managing the high number of homelessness households in Rother. Households are also spending longer in temporary accommodation due to the lack of supply of social housing and unaffordable rents in the private sector.

14. Extra car parking income of £250,000 was achieved due to an increased number of users. This additional income was partially reduced by increased business rate charges and costs incurred as part of the property devolvement programme to Parish and Town Councils.

Resources – surplus (£122,000)

15. There were a number of savings generated within the service in the year offset by increased costs. The savings were largely from reduced ICT spend on equipment and licences. This is currently under review. Additional savings were generated from staff savings but these were directed into the provision of off-site processing of housing benefits, as part of the Housing Benefit Service improvement plan, previously agreed by Members.

Review of significant variations to Non Cost of Service Budgets:

Interest from Investments – deficit £66,000

16. The investment return for the year was £446,000, which was below the budgeted figure.

Cost of Borrowing – underspend (£79,000)

17. Due to the timing of purchases relating to the Property Investment Strategy, the costs of borrowing were lower than anticipated when the Revenue Budget was set.

Capital Expenditure charged to revenue – underspend (£665,000)

18. The capital programme outturn shows an underspend of £665,000 on items that are charged to the Revenue Budget. The main one relates to DFGs.

Business Rates and Non Specific Grants (£550,000) surplus

19. The final outturn for Business Rates, including the effect of being in the East Sussex Business Rate Pool, generated a further £256,000 (net) of income for the Council. This will need to be earmarked for regeneration in accordance with the agreement with the Ministry for Housing, Communities and Local Government. In addition, £294,000 of additional grants were received relating to homelessness, neighbourhood planning and funding for new burdens relating to welfare reform.

Collection Fund

20. The figures shown below in Table 2 reflect the collection performance for Council Tax as at 31 March 2019 against monies due to the Council and against the forecasted budget yield.

Table 2

		Equivalent Period	
	2018/19	**2017/18**	**2016/17**
Collectable Annual debit (at 100% collection)	£72,343,360.13	£67,805,819.98	£64,048,370.29
Income Received	£71,217,949.62	£66,756,142.20	£63,092,808.38
Income Received as a % of collectable debit	98.44%	98.45%	98.51%
Budgeted yield (at 98.5% collection)	£71,114,683.69	£66,599,906.61	£62,805,735.41
Income Received as a % of budgeted yield	100.15%	100.23%	100.46%

NB figures above exclude any adjustment made in the accounts for non-recovery of outstanding debt

21. As can be seen the Collection Rate is broadly comparable to the previous years. The total collectable is above the original estimate made when the budget was set and consequently there is a surplus of £462,000 for the year with East Sussex County Council (ESCC) receiving the largest proportion of this and Rother's share being approximately £46,000.

22. The performance of Business Rates as at 31 March 2019 is shown in Table 3 below:

Table 3

	2018/19	Equivalent Period 2017/18
Collectable debit	£18,552,509.20	£17,616,905.02
Income Received	£18,231,262.63	£17,450,943.36
Income Received as a % of collectable debit	98.27%	99.06%
Amount outstanding for year	£321,246.57	£165,961.66

NB figures above exclude any adjustment made in the accounts for non-recovery of outstanding debt and adjustments to the Appeals Provision.

23. As can be seen the collection performance is slightly lower than the same period last year. This was primarily due to late refunds of Business Rates following settlement of appeals from businesses. It has also been possible to reduce the rating appeals provision following a review. This has released resources back into the General Fund and allowed a small surplus for Business Rates of £34,000 as at 31 March 2019 with Rother's share being £13,600

Capital Programme

24. The provisional outturn for the 2018/19 Capital Programme is £4.8m spend against a revised budgeted spend of £7.2m, an underspend of £2.4m. The estimated outturn for the Programme is shown in more detail at Appendix A.

Table 4

	2018/19 Original Budget Feb 18 £ (000)	2018/19 Revised Budget £ (000)	2018/19 Outturn £ (000)	2018/19 Variance £ (000)
Total Capital Programme Spend	**10,262**	**7,246**	**4,800**	**2,446**
Funded By:				
Capital Receipts	3,057	1,345	159	1,186
Grants and contributions	0	1,729	1,147	582
Borrowing	4,845	2,559	2,666	(107)
Capital Expenditure Charged to Revenue	2,360	1,493	828	665
Unfunded		120		120
Total Funding	**10,262**	**7,246**	**4,800**	**2,446**

25. The Capital Programme for the period 2019/20 to 2023/24 has been updated to take account of any slippage in the 2018/19 financial year and is shown at Appendix B.

26. The main variations are:

(i) Community Led Housing Schemes – slippage (£300,000)
This relates to the Icklesham Community Land Trust and Hastoe Housing project in respect of the Ickelsham exception site scheme,

delivering 15 affordable units. This scheme has received planning permission on 30 May 2019, and therefore it is likely a Community Housing Fund application will now be submitted up to this sum within the next six months.

(ii) Rother 2020 ICT investment – slippage (£390,000)

There are a number of planned improvements to the Council's ICT in support of its 2020 programme. These include introducing automated software, including Robotic Process Automation, which are aimed at improving efficiency and improving accuracy of data sets and compliance with Data Protection. Other investment areas include providing staff with greater flexibility to how and where they work. This is aimed to increase the ability of officers to "work in the field" and to make best use of administrative accommodation. It is also planned to invest in the Firmstep Customer Services System to further improve residents' access to services.

(iii) Corporate Document Image Processing System – slippage (£232,000)

The new corporate document image processing system has been successfully implemented in the Revenues and Benefits Service and Housing. This has effectively removed the majority of paper used by the service, improving efficiency and creating space within their work area. The major benefit has been improved management information regarding workloads and work distribution within the team. The next phase is to deliver during 2019 the new software into Customer Services and Environmental Services.

(iv) Bexhill Leisure Centre – Land swap slippage (£1.085m), site development (£183,000)

Previous reports have identified a number of land issues relating to the new leisure centre development that have delayed finalising the land swap with ESCC. It is expected that these issues will be resolved during 2019/20 and enable the land swap to be concluded.

(v) Disabled Facility Grants – slippage (£265,000)

A total of 109 DFGs have been delivered in 2018/19. As of 31 March 2019, there were 55 DFGs approved and ready to be delivered. The total value of these facilities to support and enable disabled residents to remain in their homes is £292,000.

(vi) ICT Infrastructure upgrading programme – slippage (£166,000)

The current programme to update the Council's ICT infrastructure contains in excess of 20 discreet projects. A number were delayed during 2018 due to vacancies in the ICT infrastructure team. The team are now fully staffed to enable the improvements to be delivered. A revised ICT Strategy is also being developed and will be presented to Members at a future meeting for consideration.

Earmarked Reserves

27. The Council maintains a number of Earmarked Reserves for a variety of purposes. Overleaf is an analysis of the Council's reserves showing the

movements and transfers that took place as at 31 March 2019. The surplus of £630,000 referred to above is also reflected in the table below:

Table 5

	Balance at 31 March 2018	Transfers out	Transfers in	Balance at 31 March 2019
	£'000	£'000		£'000
Medium Term Financial Strategy Reserve	3,662	(876)	948	3,734
Economic Development Fund	30	0	0	30
Risk Management Fund	195	0	0	195
Interest Equalisation Reserve	0	0	0	0
Repairs and Renewals Reserve	1,383	(47)	78	1,414
Corporate Plan Projects Reserve	0	0	0	0
Invest to Save Reserve	0	0	0	0
Affordable Housing Reserve	921	0	0	921
Corporate Development Reserve	321	0	0	321
Planning Improvement & Local Development Framework Reserve	265	0	18	283
Housing Benefit Subsidy Reserve	0	0	0	0
Homelessness Reserve	226	(12)	0	214
New Home Bonus Reserve	0	0	0	0
Business Rate Equalisation Reserve	0	0	0	0
Grants Reserve	1,711	0	522	2,233
Treasury Investment Reserve	7,017	0	0	7,017
Total	**15,731**	**(935)**	**1,566**	**16,362**

Conclusion

28. Overall the Council was able to make a contribution to reserves of £630,000. This was due to an overall underspend on the delivery of services, additional non service income (particularly from grants) and slippage in the capital programme items funded from the revenue budget. It is important to note that whilst a surplus was achieved, there remain significant financial pressures on the Council to balance its budget in future years. The financial forecast and Capital Programme will be updated to reflect the outturn for 2018/19 and will be reported to Members as part of the Medium Term Financial Strategy review later this year.

Malcolm Johnston
Executive Director

Dr Anthony Leonard
Executive Director

Risk Assessment Statement

Regular financial reporting is integral to good decision making and therefore Members and officers need an up-to-date understanding of the Council's financial position.

Appendix A

Rother District Council – Capital Programme Summary

	2018/19 Original Budget Feb 18 £ (000)	2018/19 Revised Budget £ (000)	2018/19 Outturn £ (000)	2018/19 Variance £ (000)
Acquisitions, Transformation and Regeneration				
Community Grants	130	130	136	**(6)**
East Parade - project A - Bexhill East Beach	295	8	8	**0**
East Parade - project B - Shelters and Heritage Hub	0	2	0	**2**
East Parade - project D - Ornamental lighting	8			**0**
Colonnade Restaurant/units	0	333	346	**(13)**
Cemetery Entrance	0	50	10	**40**
Community Led Housing Schemes	390	300	0	**300**
Blackfriars Housing Development	0	100	198	**(98)**
Affordable Housing Contribution	0	0	30	0
Rother 2020 Programme				
Property Investment Strategy	4,000	0	0	**0**
Acquisition 14 Terminus Road	0	887	887	**0**
Acquisition 3 sites - Beeching Road	0	1,625	1,740	**(115)**
Demolition				**0**
Solar Panels	0	47	39	**8**
Rother 20/20 ICT Investment	458	390	0	**390**
Corporate Document Image Processing System	203	232	0	**232**
Housing and Community Services				
De La Warr Pavilion - Capital Grant	52	52	52	**0**
Fairlight Coastal Protection	0	29	6	**23**
Sidley Sports and Recreation	300	0	8	**(8)**
Land Swap re Former High School Site	1,085	1,085	0	**1,085**
Bexhill Leisure Centre - site development	2,190	260	77	**183**
Disabled Facilities Grant	791	1,300	1,035	**265**
New bins	13	13	14	**(1)**
Beach huts	95	0	0	**0**
Camber Western Car park	0	120	0	**120**
Corporate Core including Executive Directors				
Delegate Conference System	50	50	63	**(13)**
Resources				
Enterprise Resource Planning System upgrade	36	52	136	**(84)**
Printing Services - Guillotine	0	15	15	**0**
ICT Infrastructure - Ongoing Upgrade Programme	166	166	0	**166**
Total Capital Programme	**10,262**	**7,246**	**4,800**	**2,446**
Funded By:				
Capital Receipts	3,057	1,345	159	**1,186**
Grants and contributions	0	1,729	1,147	**582**
Borrowing	4,845	2,559	2,666	**(107)**
Capital Expenditure Charged to Revenue	2,360	1,493	828	**665**
Unfunded		120		**120**
Total Funding	**10,262**	**7,246**	**4,800**	**2,446**

Appendix B

Rother District Council – Capital Programme 2019/20 to 2023/24

	2019/20 Budget £ (000)	2020/21 Budget £ (000)	2021/22 Budget £ (000)	2022/23 Budget £ (000)	2023/24 Budget £ (000)
Acquisitions, Transformation and Regeneration					
Community Grants	130	130	130	130	130
East Parade - project A - Bexhill East Beach	0	360	327	0	0
East Parade - project B - Shelters and Heritage Hub	32	358	0	0	0
Cemetery Entrance	240	0	0	0	0
Community Led Housing Schemes	650	0	0	0	0
Blackfriars Housing Development	3,052	0	0	0	0
Rother 2020 Programme					
Property Investment Strategy	12,238	20,000	0	0	0
Demolition	250	0	0	0	0
Rother 20/20 ICT Investment	390	0	0	0	0
Corporate Document Image Processing System	435	0	0	0	0
Housing and Community Services					
De La Warr Pavilion - Capital Grant	53	0	0	0	0
Fairlight Coastal Protection	70	0	0	0	0
Sidley Sports and Recreation	292	0	0	0	0
Land Swap re Former High School Site	1,085	0	0	0	0
Bexhill Leisure Centre - site development (move to A,T,R)	2,113	11,810	0	0	0
Disabled Facilities Grant	1,062	0	0	0	0
New Bins	13	0	0	0	0
Replacement/New Bins - New Contract	108	108	108	108	108
Camber Western Car Park	360	0	0	0	0
Bexhill Promenade - Protective Barriers	50	0	0	0	0
Bexhill Promenade - Outflow Pipe	100	0	0	0	0
Housing (purchases - temp accomodation)	1,000	1,000	0	0	0
Corporate Core including Executive Directors					
Accommodation Strategy	TBD				
Lift for Amherst Road Offices	100				
Resources					
Enterprise Resource Planning System upgrade	36	0	0	0	0
ICT Infrastructure - Ongoing Upgrade Programme	166	0	0	0	0
Total Capital Programme	**24,025**	**33,766**	**565**	**238**	**238**
Funded By:					
Capital Receipts	3,198	0	0	0	0
Grants and contributions	4,064		0	0	0
Borrowing	12,488	20,000	-	-	-
Capital Expenditure Charged to Revenue	2,765	535	238	238	238
Unfunded	1,510	13,231	327	0	
Total Funding	**24,025**	**33,766**	**565**	**238**	**238**

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Rother District Council

Report to	-	Cabinet
Date	-	1 July 2019
Report of the	-	Executive Director
Subject	-	Festive Lights in Bexhill

Recommendation: It be **RESOLVED:** That:

1) the funding agreement between the Council and Shining Lights (Bexhill) Limited be terminated; and

2) the Executive Director be authorised to enter into a funding agreement with the Bexhill Chamber of Commerce and Tourism for the delivery of a lighting scheme for 2019 and beyond, in consultation with the Lead Cabinet Member for Bexhill Affairs.

Head of Service: Ben Hook
Lead Cabinet Member: Councillor Mrs Bayliss

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1. In 2016, the Council entered into a four-year funding agreement with Shining Lights (Bexhill) Limited following an initial trial period in 2015 to erect, maintain and remove lighting in Bexhill Town Centre. The funding agreement provides for an annual financial contribution of £13,500 to facilitate the provision of the Bexhill Festive Lights charged as a Special Expense to Bexhill

2. This arrangement worked well in the first three years of operation (2015-2017) with Shining Lights providing town centre-wide Festive illuminations. However, in 2018 only a Christmas tree and two Bexhill town centre streets were illuminated.

3. The Council has accordingly sought to understand why this was the case. However, despite numerous requests, the director of Shining Lights has failed to attend meetings and has not provided any information as to its financial status, or to enable the Council to be assured regarding its future financial sustainability.

4. Shining Lights' business model relies heavily on generating income at events hosted throughout the year plus donations from the public and local businesses to raise sufficient match funding for the Festive Lights. However, Shining Lights has yet to hold any events at all in 2019 or announce any events scheduled to take place later in the year. Without a programme of planned events, it is unclear how future fund raising is being planned.

5. In the circumstances it is recommended that, the Council terminate the funding agreement with Shining Lights, in the absence of assurances regarding their financial standing.

Next Steps

6. The Council does not have sufficient officer capacity in-house to oversee the implementation of the Festive lights in Bexhill. Officers have held discussions with the Bexhill Chamber of Commerce & Tourism who have confirmed their interest in taking over the delivery of the Festive Lights. The Chamber has requested a formal funding agreement for a period of 2-3 years; however the details of such an agreement require further investigation and discussion with the Chamber in order to review the options for delivery, having regard to the budget available from the Council.

7. The Chamber would not be willing to enter into any match-funding obligation however they would look to encourage participation from other stakeholders in the town. They propose to provide lights and fittings on a rental basis, rather than buying or owning any lights.

8. It is understood that the provision of a lighting display would be accompanied by a switch-on event, although for the avoidance of doubt, the Council's funding would be tied only to the provision of festive lighting.

9. Authority is sought to continue discussions with the Chamber of Commerce and enter into a funding agreement, in consultation with the Lead Cabinet Member for Bexhill Affairs, in order to secure the provision of lighting for the 2019 festive season and beyond.

Dr Anthony Leonard
Executive Director

Risk Assessment Statement
Continuation of the existing contract would be a risk to public funds due to the lack of transparency within and engagement by Shining Lights.

In Rye and Battle and in Bexhill local centres this is wholly undertaken by local groups and the Council's support is financial only. The Council does not have spare officer capacity in-house to oversee the implementation of the Festive lights in Bexhill. In the absence of an arrangement with the Chamber of Commerce the Council would not be in a position to implement a lighting scheme in Bexhill town centre.

Rother District Council

Report to	-	Cabinet
Date	-	1 July 2019
Report of the	-	Executive Director
Subject	-	Land at Northiam Car Park, Main Street, Northiam

Recommendation to COUNCIL: That:

1) the freehold of part of Northiam Car Park identified in Appendix 1 be sold to Northiam Surgery for the sum of £30,000; and

2) the Executive Director be authorised to grant a temporary licence for an additional area, for use as a contractors' compound for the duration of the construction period.

Head of Service: Ben Hook
Lead Cabinet Member: Councillor Oliver

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1. The Council owns and manages the car park at Main Street, Northiam, shown outlined in red in the plan attached as Appendix 1. Northiam Surgery adjoins the car park and enjoys rights of access over it. The surgery is owned freehold by the practice partnership.

2. The practice is currently near capacity and is seeking to expand its services and wishes to acquire part of the car park in order to extend the surgery building. The area required is shown hatched blue in the attached plan and extends to approximately 200sqm.

3. Officers have sought advice on value from the District Valuer and on the basis of that advice have agreed in principle a price for sale of the land at £30,000, subject to Cabinet approval, which is consistent with the valuation. A freehold sale is considered the most appropriate form of disposal because the extension will be integrated with the existing surgery building.

4. The car park land is subject to a restrictive covenant in favour of the Iden & Frewen Educational Foundation, which requires their prior consent to any building. The Trustees of the Foundation have written confirming approval to the surgery extension.

5. The sale will be conditional on planning permission being secured for the extension. Should the extension proceed it is expected that the Surgery's contractors will require a temporary compound for the duration of the works, and delegated authority is sought to enter into a licence agreement for this purpose in due course.

6. The car park has been the subject of discussions with the Parish Council regarding possible devolvement in line with similar agreements elsewhere across the district; however the Parish Council has confirmed it does not wish

to pursue this. Officers have also raised this option with the practice partnership, as the car park is used extensively by visitors to the surgery, but they have also confirmed that this is not of interest.

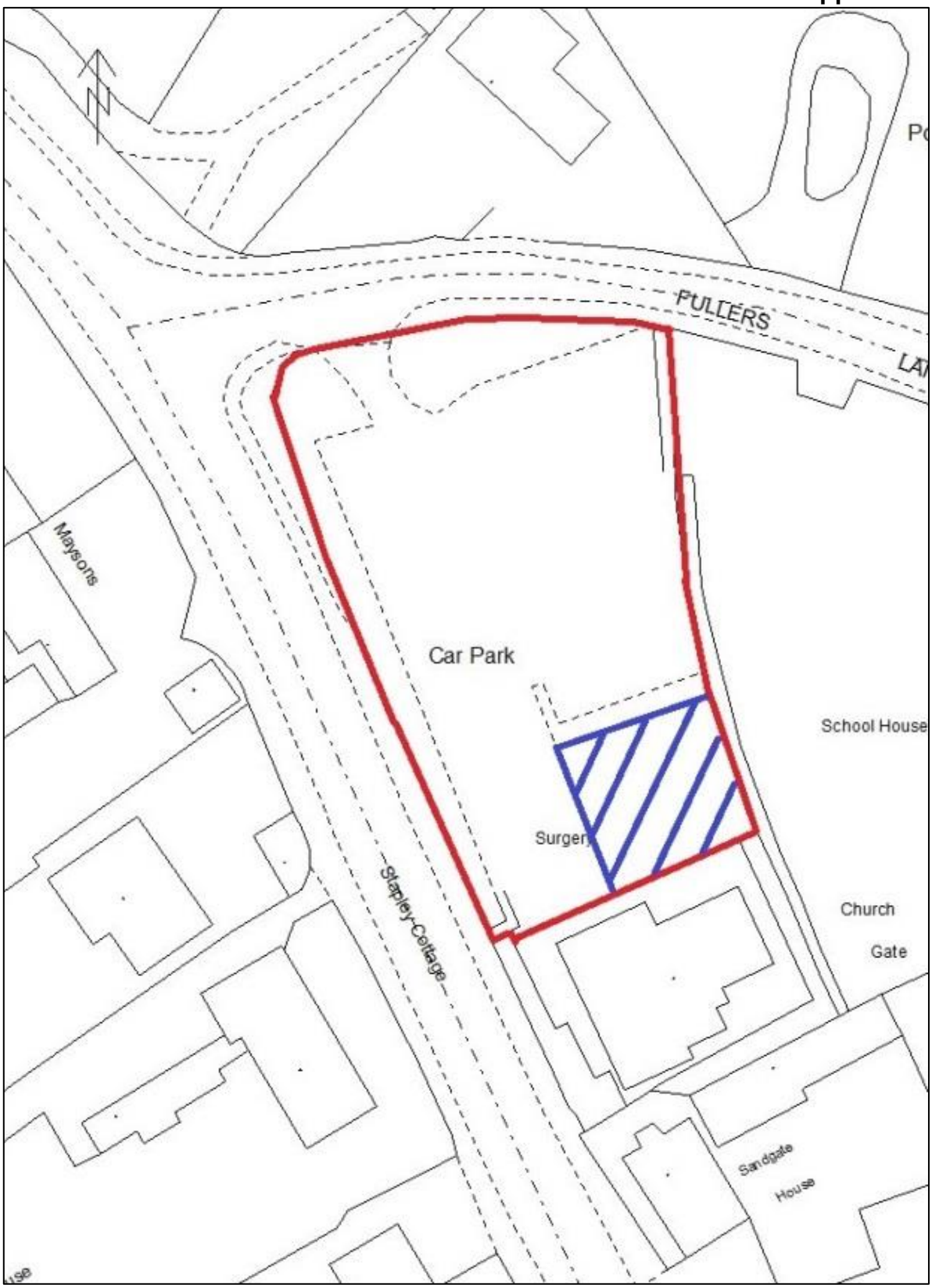
Conclusion

7. It is therefore recommended that the freehold of part of the Northiam Car Park identified in Appendix 1 be sold to the Northiam Surgery for the sum of £30,000, subject to planning approval and if approved, the Executive Director be authorised to enter into a licence agreement for a temporary compound to facilitate the works.

Dr Anthony Leonard
Executive Director

Risk Assessment Statement
The proposal from Northiam Surgery will enable the expansion of GP and other healthcare services from the premises, for the benefit of local residents. Should the Council decline, the surgery extension will not be possible which may lead to difficulties for health services being delivered in Northiam and the surrounding villages.

Appendix 1



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Rother District Council

Report to	-	Cabinet
Date	-	1 July 2019
Report of the	-	Executive Director
Subject	-	Residential Development at Blackfriars

Recommendation to COUNCIL: That:

1) the Council develops a Joint Venture model with a Registered Provider to deliver residential units; AND

It be **RESOLVED**: That:

2) the Council accept the funding offer from Homes England as attached at Appendix 2.

Head of Service: Ben Hook
Lead Cabinet Member: Councillor Clark

Purpose

1. The purpose of this two-part report is to recommend a strategy for delivering a new housing scheme on a site known as Blackfriars in Battle, with the Council being actively involved in its development.

2. Part one focuses on the grant funding offer the Council has received from central Government to deliver the road infrastructure necessary to facilitate development, while the second part recommends a mechanism through which residential development could be brought forward.

Introduction

3. The site known as Blackfriars has a long history, with the principle of development on this site being accepted for many years. In 1967 part of the site was allocated for housing in East Sussex County Council's Battle Draft Town Plan, and in 1972 Battle Town Plan and Town Centre Map the site was also shown for residential development. Blackfriars was allocated in Rother District Council's (RDC) 2006 Local Plan to provide at least 220 dwellings.

4. The site is approximately 16 hectares (40 acres) in size (see Appendix 1), and RDC owns just over 50% of the land (green). Three other parcels of land are in separate, private ownerships (blue, yellow and orange).

5. The Council's Planning Core Strategy (2014) identified a need for 475-500 new homes to be delivered in Battle over the plan period (until 2028), assuming that a proportion of these homes would be delivered on the Blackfriars site.

6. As outlined in the previous report (Cabinet Minute CB18/10), past attempts to develop Blackfriars have been unsuccessful, principally due to many constraints including complex ground conditions, and the need for costly road infrastructure.

Housing Infrastructure Fund (HIF)

7. The Housing Infrastructure Fund (HIF) is a Government capital grant programme administered by Homes England (HE), an executive non-departmental public body sponsored by the Ministry for Housing, Communities and Local Government (MHCLG). This programme is intended to help deliver new homes in England by awarding grant funding for new infrastructure that will unlock development sites.

8. In February 2018, the Council was informed that it had provisionally been awarded £3.24m from this fund. Given the complex ground conditions and site constraints, the HIF grant is integral to building the costly road infrastructure which will enable residential development to come forward on this stalled site.

9. In December 2018, the Council received a grant award letter from HE confirming the HIF allocation, laying out the conditions of the funding. Like all Government subsidy, HIF allocations are subject to conditions, some of which must be satisfied prior to signing a funding agreement, and some before drawing down any grant funding.

10. The conditions are bespoke to each individual application, and are set by HE as part of the process which moves an offer from provisional to formal. These conditions and associated assumptions could be challenged, and were subject to negotiation with HE.

11. Many of the conditions contained within December's offer were unacceptable to the Council, with some likely to stymie progress at the site, with particular regard to the ongoing negotiations with the other landowners and viability.

12. Following further dialogue, HE has provided an alternative offer which acknowledges the site constraints and recognises the viability gap. There is an expectation from HE that any surplus made over an agreed developer's profit margin must be recovered by the Council as the development progresses. This money will be retained by the Council and ring-fenced to be used to facilitate additional housing development within the district.

13. These pre-commencement conditions contained within HE's offer are now acceptable (attached at Appendix 2), and it is recommended that the Council accepts the grant funding award.

Planning Position

14. As outlined in the previous cabinet report (Cabinet Minute CB18/10) it was necessary for the Council to demonstrate progress towards Planning Permission being granted for the new road infrastructure to give greater certainty of delivery.

15. In order to demonstrate that the proposals for new road infrastructure are appropriate, it was necessary to carry out a masterplanning exercise to demonstrate how the neighbourhood road, and the different parcels of land relate to each other, and how the site can accord with, and deliver against Planning Policy requirements.

16. A Planning application, supported by an illustrative Masterplan outlining the principles of residential development across the site has now been submitted and is awaiting determination. This application informs residential development on the site and will decrease risk, providing necessary certainty to the landowners, including the Council, to deliver their respective housing schemes.

17. Should it be approved, the planning application will allow the construction of the road to begin in advance of the residential development, which will be subject to further detailed design, and a second planning application.

Options for Delivery

18. The HIF offer expects that all landowners sign up to a collaboration agreement, committing to work jointly to utilise the new road infrastructure for unlocking their sites. Alternatively, the Council may seek to acquire parcels of land on this site to ensure delivery. Discussions with landowners are ongoing and a further report will follow.

19. The options for delivery outlined below are applicable to Rother's own landholding, capable of delivering 120-130 homes, or to a larger scheme resulting from land acquisition. The principles will remain the same, with the quantum of units delivered being the major variable.

20. Through the planning and master planning process, the Council has undertaken site investigation and surveys, utilities and services enquiries, and specialist consultancy work to decrease risk this site as far as is possible. Undertaking this due diligence has informed the Council's feasibility studies, giving an idea of the project's viability.

21. The masterplanning exercise has allowed the Council to outline its regeneration ambitions and development priorities, including the provision of Affordable Housing, and design standards in keeping with the emerging High Weald Design Guide, appropriate for this historically important site which sits within the Area of Outstanding Natural Beauty.

22. There are two vehicles for delivery, which are:

    Option One: Joint Venture (JV) with development partner, likely to be a Registered Provider (RP)

    Option Two: Direct delivery through the procurement by RDC of a main Contractor and professional team with delivery via Design and Build (D&B) contract

Option One: Joint Venture

23. A JV is a commercial alliance between two or more separate entities that enables them to share risk and reward.

24. This approach has been used by other local authorities who have wanted to bring in the resources and expertise of a developer, without ceding control via a traditional development agreement.

25. Often these are limited liability partnerships (LLPs) on the statutory footing that the main objectives being regeneration rather than commercial, and are on a 50/50 arrangement. That means that the Council's land contribution be matched in capital by the partner. This 50/50 equity is then reflected in the share of decision making, and returns.

26. Given the size of this project, the Council will have to carry out a form of public procurement exercise before entering into a JV. Legal advice is currently being sought to confirm this point.

27. A JV would provide an opportunity for the council to work in partnership with a preferred Registered Provider (RP) with the view that our strategic priorities are closely aligned. This will allow the Council to strengthen partnership working across the district, with a focus on delivering other sites which include the provision of much needed affordable homes, necessary to meet our local housing need.

Benefits:

- Council remains involved in development and can advocate delivery of regeneration aims.
- The cost of funding the scheme can be shared. The land value will be the Council's buy-in to start the partnership.
- Financial risks are shared between both parties.
- There is the opportunity to learn from and gain experience from established developers, and to build confidence in the Council's capacity to develop in its own right.
- There is an opportunity to buy into a developer's existing supply chain and to realise maximum value.
- The partnership could be extended to cover other projects, allowing the Council to play an active role in bringing forward stalled sites and meeting affordable housing targets.

Risks:

- Establishing the JV will be subject to Public procurement procedures which will impact on the programme for delivery
- Entering into JV may be a lengthy process which could increase timescales for delivery
- The capital receipt generated from the project will be deferred until practical completion.
- Some control is handed over to the developer, reducing the input from the Council.
- Lower financial return.

Option Two: Council-led Design and Build

28. The Council could put together a design team made up of an Architect and Employer's Agent (EA) to obtain Planning Permission for the residential units.

29. Once the Planning approval is in place, the Council would let the construction contract to a main contractor to deliver the scheme using a JCT Design and Build contract, or similar.

30. Using the planning permission and associated site-investigation reports and consultancy advice, a set of Employer's Requirements would be compiled and the scheme tendered to a selection of main contractors.

31. Once appointed, the main contractor would directly appoint the Architect and Structural Engineer required to develop the design further. The Employer's Agent would remain working directly for the council acting as the Contract Administrator for the Design and Build contract. The contractor would therefore take on the main construction risk in terms of detailing, design and programme in return for a lump sum.

32. This is the approach adopted by most small developers as it provides the least amount of construction risk and enables the appointment of the required professional team as and when needed. Sales risk would remain entirely with the Council.

33. Setting up the design team, and letting the construction contract would both be subject to Public Procurement procedures.

34. The process would be managed internally, meaning the Council would retain control over all aspects of the development in terms of design, tenure and timescales.

Benefits:

- The Council retains full control of this regeneration project, both in terms of timescales and quality.
- Stronger financial return.
- Council's construction risk exposure reduced with technical design development and site management sitting with the main contractor.
- A professional team would be established to offer technical assistance, advice and support, filling any gaps in expertise.
- Council stand to benefit from the main contractors' buying gain, through their regular supply chain.
- Opportunity to roll this model out across the District, and to agree project-specific outcomes to meet broader Corporate priorities such as the delivery of affordable homes and/or homes to be used as temporary accommodation for homeless applicants.

Risks:

- Council would need to fund the scheme through borrowing.
- Council would be exposed to higher preliminary costs and the main contractor's overheads and profit.
- Council would retain the full sales risk and costs associated with sales/demand.

- The Organisation has little experience of independent development so may struggle to build confidence in or buy-in for the project.
- The Council will be directly exposed to the vagaries of the housing market.

Selling the RDC Land to a Developer

35. A previous Cabinet report (Minute CB14/15) approved selling RDC land holding under an options agreement to an adjacent landowner. This was never finalised as the purchaser withdrew at a late stage.

36. While selling the land was an option previously to raise capital receipts it is now recommended that this option is discounted as it will leave the Council with no control over delivery timescales. Furthermore, if there are viability challenges the Council may not see the affordable housing on this site being brought forward.

Preferred Option

37. Delivering the site through a JV gives the Council more certainty over delivery, and allows a level of control while sharing risk. Given the financial position of the Council, this option is safest, and goes some way towards mitigating concerns around project funding and risk.

38. This option allows for the Council to partner with an established Registered Provider, to gain skills and experience which can be rolled out onto other development projects.

39. A JV with a Registered Provider will also present an opportunity to create a strategic partnership to help deliver against key corporate priorities.

40. Design and Build gives the Council the biggest return and the greatest control over the project, but carries the most risk and requires the Council to wholly finance the project. While this option may be best for delivery on other, smaller sites within the Council's ownership, it may not be appropriate for a site of this size given the Council's financial position and the limited design and build experience within the organisation.

41. Given the risks involved with Design and Build it is recommended that, on this occasion, the Council pursues a JV to deliver this project, and begins the process of procuring a Registered Provider with whom it can partner.

Next Steps

42. If the Council supports a JV then legal advice is required to establish whether a Public Procurement exercise is necessary, and the nature of this exercise. It is essential that the partnership meets the Council's aspirations in terms of policy, quality and timescales so a robust brief must form part of the tender documents.

43. The brief should be informed by the Council's planning and corporate priorities for this site, and will form the basis of the JV model. This JV model could then be rolled out onto other corporate development projects across the District

where the balance of risk outweighs that which the Council may be willing to take by delivering a scheme directly.

Conclusion

44. Members are recommended to resolve that the HIF offer be accepted and authorise the Executive Director to enter into a funding agreement.

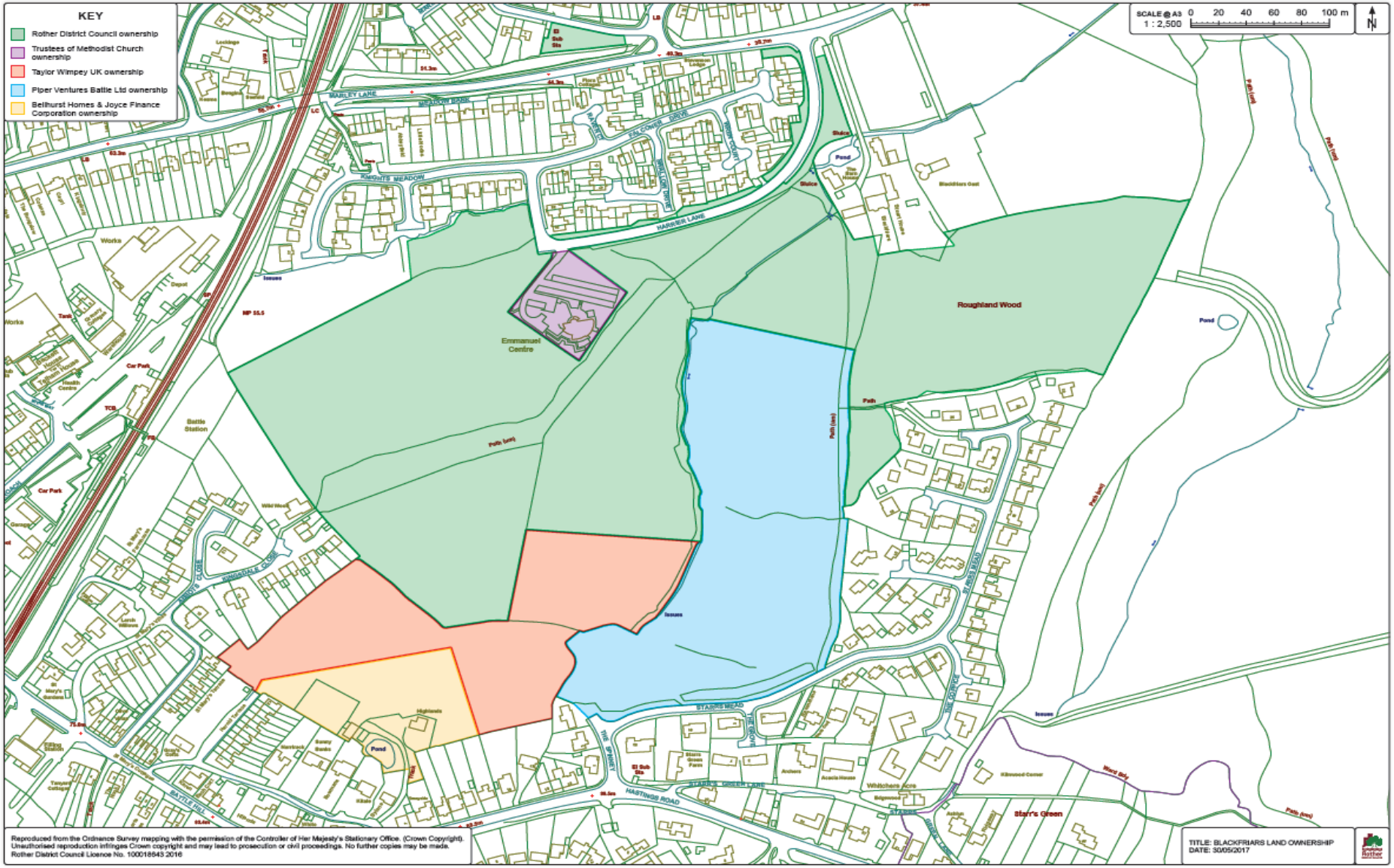
45. Additionally, Members are recommended to resolve that the Council continues to take an active role in progressing this site, and establishes a JV through which residential development can be delivered

Dr Anthony Leonard
Executive Director

Risk Assessment Statement
This site has not come forward for many decades due to its constraints. By not accepting the HIF grant and not driving forward the development the site will remain stalled and homes not forthcoming for future years.

By accepting the funding this places an obligation on the Council to deliver the scheme ensuring, sufficient staff and financial resources are available to deliver the project. Failure to meet the HIF grant conditions may result in having to return the grant funding meaning that investment to date is not recoverable.

Appendix 1


KEY
Rother District Council ownership
Trustees of Methodist Church ownership
Taylor Wimpey UK ownership
Piper Ventures Battle Ltd ownership
Belhurst Homes & Joyce Finance Corporation ownership
SCALE @ A3 1 : 2,500
0 20 40 60 80 100 m
N
Roughland Wood
Emmanuel Centre
Stair's Green
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TITLE: BLACKFRIARS LAND OWNERSHIP
DATE: 30/05/2017

Appendix 1

Rother District Council

Proposed Masterplan, Land at Blackfriars, Battle

Project Title
Rother District Council

Proposed Masterplan,
Land at Blackfriars,
Battle

Drawing Description
Site Location Plan

Scale 1:1250 @ A1	Drawn by SG
Date March 2019	Checked by SW

CLAGUE ARCHITECTS

82 Borgate, Canterbury
Kent CT1 2BH 01227 762066

1 Kinkaourie Court, Luton Road,
Harpenden, Hertfordshire AL5 3BL 01582 768102

6, Disney Street
London SE1 1JF 0203 587 9112

CANTERBURY LONDON HARPENDEN

Drawing Number 23817A/01 Revision

HOMES ENGLAND: PRE-GRANT DETERMINATION CONDITIONS

	Condition
1.	Confirmation from all land owners that they will work jointly to utilise the spine road for unlocking their sites.
2.	Evidence that the spine road is essential to unlocking the sites and that most of these sites could not be unlocked through other means. Demonstrate that the chosen route for the spine-road represents a balance of best value in terms of cost to the number of homes released.
3.	Provision of a detailed strategy of how the Council is proposing to sell / procure a partner to deliver the housing site.
4.	Provision of a detailed planning strategy (including a detailed programme) for both the infrastructure and each of the residential plots.
5.	Provide written confirmation that the grant to be provided would be State Aid compliant as well as providing supporting written evidence of the independent State Aid advice received.

PRE-DRAWDOWN CONDITIONS

	Condition
1.	The Collaboration Agreement is signed and active ensuring that the delivery of the HIF funded infrastructure and the grant drawn by the March 2022 deadline.
2.	Confirmation of the number of homes that will be delivered and presentation of the masterplan to Homes England. This should include a programme showing the proposed number of housing completions each financial year from the start to finish of the project.
3.	Provision of a Report on Title showing the entire site has vacant possession and detailing any restrictions, Rights of Way, easements, covenants or any other title constraints that may impact on the deliverability of the site.
4.	Provision of detailed highways, ecology and engineering reports and a cover report to show the proposed road route is deliverable.
5.	Provision of the programme to be adopted should there be a need for Compulsory Purchase of a site, noting when the infrastructure to be funded by HIF would be completed and the HIF grant drawn within the March 2022 deadline.
6.	Preparation of a detailed cost plan (by a firm of reputable quantity surveyors) clearly identifying the cost of delivering the spine road, site preparation costs, construction costs for the homes, landscaping costs and any other related costs.
7.	1. A revised development appraisal is to be submitted. This is to include: • The revised costs prepared by the quantity surveyor. • Updated residential values. This should be supported by market evidence and a sales and marketing strategy prepared by a firm of estate agents. • Updates to any other development appraisal inputs e.g. s.106, CIL, fees, contingency etc. • Incorporation of the revised masterplan scheme. • To reflect the delivery programme that each landowner is proposing to adopt.
8.	Local Authority to provide a mechanism to recover the HIF funding contribution from surpluses achieved by the developers/landowners with appropriate interest charged. This should reflect a land valuation amount which should be to the satisfaction of Homes England.
9.	Commencement of the HIF funded infrastructure works by such a date that would enable the HIF grant to be drawn no later than March 2021.

10.	The Council is to provide a clear strategy detailing how the non- HIF funded infrastructure works will be delivered. Furthermore, proof that funds are in place to deliver the infrastructure works in their totality should also be provided.

It should also be noted that the following conditions are a requirement of all grant determination agreements.

a) The money is to be spent on capital related to the project;
b) The scheme will deliver by an agreed date. Otherwise, Homes England can recover any unspent funding;
c) Any costs saved or recovered are retained by the Local Authority and to be used for further housing delivery; and
d) The Local Authority will assure Government on delivery through proportionate regular reporting on progress, as set out in the Assurance Framework.

Please note that any communications on the outcome of funding clarification are subject to Homes England approval.

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Homes England

14th March 2019

Amy Fearn
Rother District Council
Town Hall, London Road, Bexhill-on-Sea, TN39 3JX

Re: HIF MVF 257 Blackfriars, Battle, Rother

Dear Amy,

SUBJECT TO GRANT DETERMINATION AGREEMENT

Further to the announcement in February 2018 by the Secretary of State for the Ministry of Housing, Communities and Local Government regarding your successful application for funding under the Housing Infrastructure Fund, Marginal Viability Fund Programme, I write to advise that following the subsequent funding clarification process, Homes England is pleased to inform you that the above scheme has received internal approvals to proceed with the formal award of a grant of £3,240,000.

This is subject to the conditions below and grant determination agreement. The grant award is to fund the delivery of a Spine Road which will unlock the new homes across sites in four separate land ownerships.

This offer of funding is subject to legal exchange of the grant determination agreement by 31st May 2019 after which point the Homes England reserves the right to retract the offer of funding.

The grant (in £) and outputs approved by Homes England is as set out below.

Funding	Total
HIF MVF	£3,240,000
Total	**£3,240,000**

Outputs	
Market Sale	160
Affordable Rent	0
Affordable LCHO	84
Total	**244**

Please note any variances to the above spend or outputs must be approved in writing by the Homes England. HIF MVF funding is available until 31st March 2022. All MVF funding is required to be spent by this date.

HIF award is provided on the basis of a £2,815,000 viability gap and £425,000 recoverable grant.

The approval is subject to the following conditions being met prior to entering into the grant determination agreement.

Condition		Date
1.	Confirmation from all land owners that they will work jointly to utilise the spine road for unlocking their sites.	January 2019
2.	Evidence that the spine road is essential to unlocking the sites and that most of these sites could not be unlocked through other means. Demonstrate that the chosen route for the spine-road represents a balance of best value in terms of cost to the number of homes released.	January 2019
3.	Provision of a detailed strategy of how the Council is proposing to sell / procure a partner to deliver the housing site	January 2019
4.	Provision of a detailed planning strategy (including a detailed programme) for both the infrastructure and each of the residential plots.	January 2019
5.	Provide written confirmation that the grant to be provided would be State Aid compliant as well as providing supporting written evidence of the independent State Aid advice received	January 2019

The drawdown of funds is subject to a signed grant determination agreement and the following conditions precedent being met:

Condition		Date
1.	The Collaboration Agreement is signed and active ensuring that the delivery of the HIF funded infrastructure and the grant drawn by the March 2022 deadline.	April 2019
2.	Confirmation of the number of homes that will be delivered and presentation of the masterplan to Homes England. This should include a programme showing the proposed number of housing completions each financial year from the start to finish of the project.	April 2019
3.	Provision of a Report on Title showing the entire site has vacant possession and detailing any restrictions, Rights of Way, easements, covenants or any other title constraints that may impact on the deliverability of the site.	March 2019
4	Provision of detailed highways, ecology and engineering reports and a cover report to show the proposed road route is deliverable.	April 2019
5.	Provision of the programme to be adopted should there be a need for Compulsory Purchase of a site, noting when the infrastructure to be funded by HIF would be completed and the HIF grant drawn within the March 2022 deadline.	February 2019
6.	Preparation of a detailed cost plan (by a firm of reputable quantity surveyors) clearly identifying the cost of delivering the spine road, site preparation costs, construction costs for the homes, landscaping costs and any other related costs.	February 2019
7.	1. A revised development appraisal is to be submitted. This is to include: • The revised costs prepared by the quantity surveyor • Updated residential values. This should be supported by market evidence and a sales and marketing strategy prepared by a firm of estate agents • Updates to any other development appraisal inputs e.g. s.106, CIL, fees, contingency etc. • Incorporation of the revised masterplan scheme • To reflect the delivery programme that each landowner is proposing to adopt	March 2019
8.	Local Authority to provide a mechanism to recover the HIF funding	March 2019

	contribution from surpluses achieved by the developers/landowners with appropriate interest charged. This should reflect a land valuation amount which should be to the satisfaction of Homes England.	
9.	Commencement of the HIF funded infrastructure works by such a date that would enable the HIF grant to be drawn no later than March 2021.	July 2019
10.	The Council is to provide a clear strategy detailing how the non-HIF funded infrastructure works will be delivered. Furthermore, proof that funds are in place to deliver the infrastructure works in their totality should also be provided.	April 2019

It should also be noted that the following conditions are a requirement of all grant determination agreements.

a. The money is to be spent on capital related to the project;
b. The scheme will deliver by an agreed date. Otherwise, Homes England can recover any unspent funding;
c. Any costs saved or recovered are retained by the Local Authority and to be used for further housing delivery; and
d. The Local Authority will assure Government on delivery through proportionate regular reporting on progress, as set out in the Assurance Framework.

Please note that any communications on the outcome of funding clarification are subject to Homes England approval.

Yours sincerely

Gareth Blacker

General Manager, Infrastructure and Complex Projects

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Rother District Council

Report to	-	Cabinet
Date	-	1 July 2019
Report of the	-	Executive Director
Subject	-	Use of Meeting Rooms by Political Groups

Recommendation: It be **RESOLVED:** That elected Members of the political groups represented on the Council be permitted to book the Council's meeting rooms for group meetings.

Democratic Services Manager: Lisa Cooper
Lead Cabinet Member: Councillor Oliver

Introduction

1. This report seeks to amend and regularise custom and practice with regard to the booking of meeting rooms for political group meetings. Historically, custom and practice at the Council has been that the use of the Council's meeting rooms for political purposes or for political group meetings has not been permitted.

2. Following the elections in May and the resulting significant change to the political make-up of the Council, it is appropriate to review this situation.

3. Furthermore, Officers have consulted with neighbouring authorities and the general situation appears to be that the political groups represented on those authorities are permitted free use of meeting rooms for group meetings either before or after formal committee meetings or at any other time.

Proposal

4. There appears to be no reason why Rother District Council should not follow the same approach and it is therefore suggested that Cabinet agree to the change in established custom and practice.

5. It is proposed therefore that elected Members of the political groups serving on the Council are able to book meeting rooms, via the Council's Facilities Team, for the purposes of political group meetings, subject to availability, either before or after formal committee meetings or at any other time. This would exclude the Members' Room, the Leader and Chairman's Office and the Interview Rooms in the Community Help Point.

Existing Delegation

6. There is an existing delegation for the Executive Director within the Council's Constitution which states:

"To authorise, following consultation with the Chairman of the Council, the free use of the Council Chamber or Committee Room at the Town Hall, Bexhill for public meetings sponsored by a Member of the Council on matters relating to the responsibility of the District Council and not related to a political party or commercially sponsored issue."

7. It is not proposed to change this delegation as it is important that Members are able to support public meetings of organisations they are involved in. In addition, the free use of Council facilities is one way the Council can support and encourage its local organisations.

Conclusion

8. Members are asked to approve the change to custom and practice allowing elected Members of political groups to book meeting rooms and hold political meetings within the Town Hall (excluding the Members' Room, the Leader and Chairman's Office and the Interview Rooms in the Community Help Point).

Malcolm Johnston
Executive Director

Risk Assessment Statement
There are no risks associated with this report.