Rother District Council Public Document Pack

Cabinet

Date and Time - **Monday 10 February 2020 - 6.30pm**

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

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

AGENDA

1. **MINUTES**

   To authorise the Leader to sign the Minutes of the meeting held on 13 January 2020 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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Rother District Council aspiring to deliver…
an Efficient, Flexible and Effective Council, Sustainable Economic Prosperity, Stronger, Safer Communities and a Quality Physical Environment

6. **KEY PERFORMANCE TARGETS 2020/21** (Pages 1 - 6)

7. **ENVIRONMENT STRATEGY CONSULTATION** (Pages 7 - 10)

8. **DRAFT EMPTY HOMES ACTION PLAN** (Pages 11 - 12)

9. **HOUSING ALLOCATIONS POLICY** (Pages 13 - 14)

10. **REVENUE BUDGET 2020/21** (Pages 15 - 36)

11. **CAPITAL PROGRAMME 2020/21 TO 2024/25 AND CAPITAL STRATEGY** (Pages 37 - 50)

12. **TREASURY MANAGEMENT STRATEGY AND ANNUAL INVESTMENT STRATEGY** (Pages 51 - 74)

13. **DESTINATION LEISURE: BEXHILL REDEVELOPMENT OF EXISTING LEISURE CENTRE** (Pages 75 - 88)

14. **RYE CRICKET CLUB PAVILION ALTERATIONS** (Pages 89 - 92)

15. **CAMBER WESTERN CAR PARK MANAGEMENT** (Pages 93 - 98)

16. **THE COMMUNITY INFRASTRUCTURE LEVY STEERING GROUP - TERMS OF REFERENCE** (Pages 99 - 102)

Malcolm Johnston
Executive Director

Agenda Despatch Date: 31 January 2020

Rother District Council

Report to	-	Cabinet
Date	-	10 February 2020
Report of the	-	Executive Directors
Subject	-	Key Performance Targets 2020/2021

The Overview and Scrutiny Committee meeting held on 27 January 2020, considered a report on the Key Performance Targets 2020/21. The recommendation and minute arising is reproduced below.

Recommendation: It be **RESOLVED**: That the corporate Key Performance Indicators for 2020/21 and their performance targets as set out in Appendix A be approved.

OSC19/46. **KEY PERFORMANCE TARGETS 2020/21**

The Committee considered the report of the Executive Director which gave details of the proposed Key Performance Targets for 2020/21.

Managing performance to deliver the best possible outcomes within the resources available was a core function for Rother District Council. The way in which the Council approached this task was to set a series of annual performance targets against the Council's Corporate Plan (2014-2021) four Core Aims (an Efficient, Flexible and Effective Council; Sustainable Economic Prosperity; Stronger, Safer Communities; and A Quality Physical Environment).

Members had previously agreed that a small set of carefully selected corporate Key Performance Indicators (KPIs) would be reviewed each year by the Overview and Scrutiny Committee (OSC). 12 KPIs had been identified and were proposed for 2020/21. It had previously been proposed that targets should, where possible, be benchmarked against performance in other local authority areas so that Council performance could be ambitious while remaining achievable. It was proposed that the indicators for 2020/21 should be reported within four themed areas and a qualitative report on each of these areas would be provided. The themed areas were:

- Housing and Homelessness (5 indicators)
- Waste and Recycling (2 indicators)
- Asset Income (2 indicators)
- Other Income (3 indicators)

In reality, a number of other related indicators would be used to inform the qualitative information; this would give OSC Members a clear picture of performance in each of the themed areas as opposed to relying on narrow areas of performance. The provision of this additional information allowed OSC Members the ability to scrutinise

more effectively and pass on any recommendations they had as a result of this to Cabinet.

Aside from the 12 KPIs to be reported quarterly, other indicators informing Heads of Service of performance would be reported by exception to the OSC where they were exceeding or significantly missing their target.

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

- Other Income, which had replaced Housing Benefit as a KPI, included; Planning: Development Management Income; Car Park Income; and Garden waste bins issued and income;
- Members were concerned that a 15 week target for the number of weeks in temporary accommodation (TA) was too high;
- the scheme to purchase properties for the purpose of TA was to provide self-catering accommodation rather than bed and breakfast, near to support networks, to therefore enable those individuals and families to be better equipped to access the private rented sector;
- Members were pleased to note early indications that the new Rother Tenancy Finder service was helping to reduce numbers in TA and the Head of Service Housing and Community agreed to provide updated information;
- the purchase of TA continued to progress; one property was close to completion and three properties were in the advanced stages of offers being agreed. The Head of Service Housing and Community was confident that the target of the purchase of six properties would be achieved by the end of March 2020;
- performance in reducing the number of council tax arrears cases would be considered by the Anti-Poverty Task and Finish Group;
- street cleansing was monitored by the contractor with agreed threshold limits in place. Performance was reported to the Joint Waste and Recycling Committee and figures were publicly available;
- the performance indicator measuring the net additional homes built in the district would be reviewed against Government figures later in the year;
- the Asset Income Total target of £1.85m did not include any provision for income from any new property purchases achieved in the year, but was based on income from properties already owned. New properties to be purchased through the Property Investment Panel had been given a separate target; and
- Members were concerned that the target for Planning: Development Management Income was set too low. This target was based on planning application fees achievable through identified sites.

In conclusion, Members agreed that the KPIs selected would adequately reflect a review of the Council's performance. Any future improvements or actions would be proposed to Cabinet to ensure the targets were met.

(Overview and Scrutiny Committee Agenda Item 6).

Dr Anthony Leonard, Executive Director

Appendix A

PROPOSED PERFORMANCE INDICATORS

Housing and Homelessness

INDICATOR	DESCRIPTION	CURRENT TARGET	PROPOSED TARGET
1. Number of households in TA (Lower is better)	Number of all households in Temporary Accommodation (TA) on the last day of the month, when measured.	60 households (Actual 61 on 30 November 2019)	60 households
2. Average Length of stay in TA (Lower is better)	Measures the average length of time (in weeks) that individuals or families were in TA.	10 weeks (Actual: 18.3 at end of November 2019)	15 weeks
3. Homelessness prevention per 1,000 households (Higher is better)	Measures the outcome or success of homelessness prevention activities. This includes all cases where a household's housing problem has been resolved through advice casework intervention.	5 per 1,000 (Actual: 1.55 total for first half of 2019/20, target 2.5)	5 per 1,000
4. Net additional homes built in the district (Higher is better)	Monitors the delivery of new homes. This indicator measures the net increase in dwelling stock over one year.	285 homes is the supply target 449 is the Local Plan target (Actual: 137 total for first half of 2019/20, target 193)	340 homes is the supply target[1] 458 (local plan target)
5. Number of affordable homes delivered (gross) (higher is better)	Monitors the delivery of affordable housing units (newly built, including gains from conversions such as subdivision, or acquired).	115 homes is the supply target 138 is the Local Plan target (Actual: 67 for first half of 2019/20, target 57)	115[2] 138 (local plan target)

Housing & Homelessness: position statement

Demand for all forms of affordable housing continues to increase, with the supply of social housing and private rented accommodation being a key tenure failing to keep pace with this demand. The lack of affordable housing supply locally alongside the impact of welfare benefit reforms are the principle drivers of increasing levels of homelessness, sofa surfing, poor quality living conditions and rough sleeping. There are early indications that the new Rother Tenancy Finder service (launched in October 2019) is beginning to improve prevention outcomes and help to reduce numbers in temporary accommodation.

A significant portion of affordable housing delivery both for rent and shared ownership is dependent on the delivery of private housing developments. Although housing delivery for all tenures is increasing, it does not meet the expected Local Plan targets or keep pace with rising levels of demand.

The five high level indicators above, together with evidence based qualitative information will help Members to monitor the strategy action plan on an on-going basis, assessing whether this work is having an impact on housing issues, and inform decision making with regards to recommendations to Cabinet.

[1] **Estimated target based on developer delivery programmes (as of data Dec 2019). This target will be reviewed during 2020 with an updated target provided in the quarter 2 report.**

[2] **Estimated target based on delivery programme. This target will be reviewed during 2020 with an updated target provided in the quarter 2 report.**

Waste & Recycling

INDICATOR	DESCRIPTION	CURRENT TARGET	PROPOSED TARGET
6. Waste re-used, composted & recycled	The percentage of household waste which has been sent by the authority for reuse, recycling, composting or anaerobic digestion.	51% (47.4% Apr 19 – Mar 19, target is 51%)	51%
7. Missed bins (contract) per 100,000 collections	The pre-calculated number of all missed bins (household, recycling and garden waste), as defined by the terms of the contract, expressed as per 100,000 of these bins that are due to be collected.	120 bins missed per 100,000 collections (160 to end of Sept 2019, target is 120)	120 As per contract specification

Waste & Recycling: Position statement

There is an EU target for the UK to re-use, recycle and compost at least 50% of household waste by 2020. According to the Government Waste Data Flow site statistics, Rother District Council achieved 47.4 % April 2018 to March 2019. The decrease from 50.2% the previous year is due in large part to a reduction in garden waste tonnages and may be due to the hot and dry summer of 2018. The reduction is mirrored by the neighbouring district of Wealden.

Recycling rates have fallen in other parts of the country and this has, in part, initiated a widespread government review across the industry. The future direction of waste management in the UK will be influenced by the UK Environment Bill which is expected to proceed to final legislation in early 2020. In view of the change to a fully co-mingled glass and dry recycling collection from 29 June 2019, Rother suggests the interim target remains at 51% while we wait to understand the full implications of the new bill.

Asset Income

INDICATOR	DESCRIPTION	CURRENT TARGET	PROPOSED TARGET
8. Return on investment from investment assets	Monitors whether or not the Council is returning the required minimum level of return on investment.	6%	6%
9. Asset income total	The overall income from investment assets.	£1,939,000	£1,850,000

Asset income: Position statement

The Council's medium term financial plan assumes a continued increase in the amount of income generated through its property portfolio. With the Property Investment Strategy adding to this portfolio through acquisition and development, the Council has set an overall target return of 6% to ensure that the financial targets are reached. There is a target for the overall income generated by the property portfolio which mirrors the Revenue Budget. These two measures provide Members with a clear picture of the progress being made. The income target for 2020/21 of £1,850,000 does not include any provision for income from any new property purchases achieved in the year.

The Asset Income Total does not include 'community' assets which might also generate an income such as car parks, sports facilities, allotments etc.

The Return on Investment figure shows the income as a percentage of the value of the portfolio. The value of the portfolio is based on the valuation of the existing assets from 2015 and the purchase/development costs of all new assets.

Other Income

INDICATOR	DESCRIPTION	CURRENT TARGET	PROPOSED TARGET
10. Planning: Development Management income	Broken down by planning applications, land charges, and preplanning advice	£1,087,500 (Apr-Nov £506,747 against target £721,019)	£710,000 Planning applications £180,000 Land charges £50,000 preplanning advice Total: £940,000
11. Car park Income	Monitors the income from car parks.	£1,600,000	£1,600,000
12. Garden waste bins issued and income	Measured annually on renewal of contracts around July – would monitor the impact of increasing charges by £5 as per MTFS	£735,000 (£700,000 result for 2019/20)	£870,000
Other income: Position statement			
Members should be aware that car park income is very dependent on the weather during the summer and there is always a risk that we will underperform against target. We have mitigated this risk by basing our income target on an average of the income in previous years. The Council increased its garden waste subscription charge by £5 from July 2020 which means we have revised our income target upwards to £870,000. Members should note that there is a risk that the increased charge will lead to fewer subscriptions being purchased; however, officers do not view this as being a significant risk.			

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Rother District Council

Report to	-	Cabinet
Date	-	10 February 2020
Report of the	-	Executive Directors
Subject	-	Environment Strategy Consultation

The Overview and Scrutiny Committee meeting held on 27 January 2020, considered a report on the Environment Strategy Consultation. The recommendation and minute arising is reproduced below.

Recommendation: It be **RESOLVED:** That

1) the draft Environment Strategy, Action Plan and Consultation Plan be approved and a 12 week consultation; and

2) East Sussex County Council Pension Advisers be requested to source alternative investments in non-fossil fuel providers for the pension fund.

OSC19/47. **ENVIRONMENT STRATEGY CONSULTATION**

Members received the report of the Executive Director which gave details of the draft Rother Environment Strategy, Action Plan and Consultation Plan developed by the Climate Steering Group (CCSG) and the resource requirements. The document detailed the Council's proposals for the vision and priorities and set out the actions required to deliver on these and the Council's ambitious target to be carbon neutral by 2030.

The document set out eight action plan priorities for consultation: Smart Digital District; Green Economy; Air Quality; Waste; Energy; Biodiversity; Construction and Existing Buildings; and Environmentally Friendly Council. The CCSG also discussed the subject of ethical investments and noted that East Sussex County Council invested with fossil fuel providers for its pension fund. The CCSG requested that Cabinet recommend that East Sussex County Council Pension Advisers be requested to source alternative investments in non-fossil fuel providers for the pension fund.

The resolution passed by Council in December 2019 included a requirement for additional resource. The required capacity, skills, experience and expertise were not available within the Council and therefore a dedicated post was required to enable the delivery of the Environment Strategy, and ongoing development, delivery, monitoring and reporting to deliver on the Council's commitment to be carbon neutral by 2030.

The draft Revenue Budget for 2020/21 contained a provision of £100,000 per annum of funding, subject to approval, for an additional

member of staff and associated costs. As a consequence this had increased the funding gap for the next financial year which, in the short term, would require the amount of reserves used to balance the Revenue Budget to increase. It was possible that costs would be reduced through the actions of the Council to reduce its carbon footprint, in particular power and fuel, but at this stage these had not been quantified.

The Consultation Plan gave details of the groups to be consulted and the methodology, commencing from 25 February 2020. Consultation would take place via an online questionnaire, telephone and written responses and a minimum of three events to take place in Bexhill, Battle and Rye. Additionally, information points around the district to ensure the opportunity to engage was maximized. Feedback from the consultation would enable the development of a final document to be presented to Cabinet and then full Council in September 2020. Once adopted, the strategy would need to be kept under constant review as more knowledge and understanding on climate change emerged.

The consultation questionnaire set out a number of questions related to the draft Environment Strategy, in addition to questions which would enable the Council to understand the profile of the responders in order to ensure a diverse range of groups had been successfully targeted.

The CCSG also proposed to launch the consultation with a 'tree cover' initiative, including the setting up of an interactive web-page to allow residents, community groups, and businesses to pledge a commitment to planting a tree and to add their tree planting action to a thematic map. The objective was to increase tree cover across the district and encourage residents and businesses to get involved.

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

- the Environment Strategy document was a working document. Members were encouraged to respond to the consultation and encourage their residents to do so also;
- climate champions should also be identified at Parish and Town Councils and therefore in every patch of Rother;
- Members favoured the use of locally sourced building materials;
- a request was made that all Members went paperless; and
- the CCSG to consider whether the use of grey water be included in the action plan.

All of the OSC's comments on the action plan were to be forwarded to the CCSG and considered as part of the consultation process.

(Councillor Barnes declared a personal interest in this matter in so far as he was Vice-Chairman of Friends of Rye Harbour and Rye Harbour Management Committee, a member of the National Trust and an elected Member of East Sussex County Council and in accordance with the Members' Code of Conduct remained in the room during consideration thereof).

(Councillors Clark and Field each declared a personal interest in this matter in so far as they were elected Members of East Sussex County Council and in accordance with the Members' Code of Conduct remained in the room during consideration thereof).

(Councillors Courtel, Errington, Gray and Langlands each declared a personal interest in this matter in so far as they were members of the Bexhill Environment Group and in accordance with the Members' Code of Conduct remained in the room during consideration thereof).

(Councillor C.R. Maynard declared a personal interest in this matter in so far as he was an elected Member of East Sussex County Council and in accordance with the Members' Code of Conduct remained in the room during consideration thereof, but elected not to vote).

(Overview and Scrutiny Committee Agenda Item 7).

Dr Anthony Leonard
Executive Director

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Rother District Council

Report to	-	Cabinet
Date	-	10 February 2020
Report of the	-	Executive Directors
Subject	-	Draft Empty Homes Action Plan

The Overview and Scrutiny Committee meeting held on 27 January 2020, considered a report on the Draft Empty Homes Action Plan. The recommendation and minute arising is reproduced below.

Recommendation: It be **RESOLVED:** That the draft Empty Homes Action Plan 2020-24 attached at Appendix A to the Overview and Scrutiny report, be approved, subject to liaison with interested parties, such as letting agents and landlords, including social landlords.

OSC19/50. **DRAFT EMPTY HOMES ACTION PLAN**

Members considered the report of the Executive Director which gave details of the proposed Empty Homes Action Plan, setting out a number of methods for bringing into use empty homes. The action plan was to be implemented in 2020 and detailed how action would be taken against at least five empty properties per year. In reality, this number was likely to be higher through a combination of the impact of the increase in Council Tax and publicity given to the action plan. The plan was required in accordance with the Council's Homelessness and Rough Sleeping strategy.

There were 173 properties that had been empty for two years or more within the Rother District, the largest number of which were found in Bexhill-on-Sea, followed by Rye Foreign, Camber and Rye. This figure did not include the numbers of E Exemptions or Deleted Properties.

The overall aim of the Empty Homes Action Plan was to bring long term empty homes back into use, including: identifying long term empty homes; providing support for empty home owners; taking action against empty property owners; and raising awareness.

The action plan would concentrate on properties within areas of the district that had the greatest housing demand and properties with one to three bedrooms, as these had been identified as being highest in demand to meet the needs of the population. Prioritisation for any intervention and action would be directed to this size of property, but larger properties would not be excluded if there was development potential and this was beneficial for the local area.

In addition to the four areas identified there was also a need for temporary accommodation (TA) within Bexhill and Rye. Families displaced often wanted to remain in areas they had already established

links with for the purpose of accessing employment, schools, family and relative support.

Action would therefore be focused on Bexhill and Rye, where there were a larger number of empty properties, housing need was greater and there was a demand for TA.

(Overview and Scrutiny Committee Agenda Item 10).

Dr Anthony Leonard
Executive Director

Rother District Council

Report to	-	Cabinet
Date	-	10 February 2020
Report of the	-	Executive Directors
Subject	-	Housing Allocations Policy

The Overview and Scrutiny Committee meeting held on 27 January 2020, considered a report on the Housing Allocations Policy. The recommendation and minute arising is reproduced below.

Recommendation to COUNCIL: That the new Housing Allocations Policy be approved and adopted.

OSC19/49. **HOUSING ALLOCATIONS POLICY**

Members considered the report of the Executive Director which outlined the results of the consultation on the Housing Allocations Policy.

The purpose of the policy review and consultation was to ensure that the draft Housing Allocations Policy continued to effectively support the Council to promote socially, economically and demographically balanced communities. A revised Allocations Policy also allowed the Council to ensure it was compliant with new legislation and guidance that had been introduced since the inception of the existing policy. Further, through the process of reassessment of existing households (against the proposed policy criteria) the Council would be able to ensure that its Housing Register was smaller and less resource intensive to administer over the longer-term.

The consultation started on 15 July 2019 and closed on 7 October 2019, focussing on the main two changes to the existing policy, which were reducing the assessment criteria from four bands to two bands and changing the order in which households were nominated for and allocated social housing.

145 responses had been received to the consultation, made up of 11 responses from local organisations and 134 responses from housing applicants and other residents. All the proposed changes were agreed by the majority of respondents. As a result, no substantial policy changes were made to the draft policy.

Independent legal advice had also been sought in order to ensure the policy was compliant with the Part VI of the Housing Act 1996 (as amended) and to mitigate the risk of legal challenges being made against future allocation decisions, if the policy was adopted.

In order to implement the new policy criteria outlined in the draft Allocations Policy, it would be necessary to reassess all existing households on the register before the new policy could be adopted for new applicants, which had resource implications. It was estimated that the reassessment process could take up to twelve months and the software used to manage the register would need to be updated to accommodate the new points system. The cost of this was estimated to be £2,700 and would be met from within existing budgets. This process would allow the removal of any applicants who no longer required a place on the register and reassess the needs of those remaining.

The benefits to the new policy also included more sensitive and responsive criteria and it incentivised clients to work with the Council to secure accommodation in the private rented sector as well as pursue social housing options.

The following points were noted during the discussion:

- support would be provided to assist with new applications for the Housing Register, in partnership with East Sussex County Council;
- it was clarified that applicants with a council or housing debt over £1,000 would be disqualified from making an application to join the register if the debt was also not being repaid; and
- military personnel with a housing need would be given high priority.

(Overview and Scrutiny Committee Agenda Item 9).

Dr Anthony Leonard
Executive Director

Rother District Council

Report to	-	Cabinet
Date	-	10 February 2020
Report of the	-	Executive Directors
Subject	-	Draft Revenue Budget Proposals 2020/21

Recommendation to COUNCIL: That consequent to the deliberations of the Overview and Scrutiny Committee:

1) the level of special expenses as set out in Appendix C, be approved;

2) a net expenditure level for 2020/21 of £15,602,000 be approved;

3) the amount of earmarked reserves set out at Appendix D, be approved; and

4) a Council Tax for 2020/21 at Band D be increased by £4.65 (2.6%) and set at £184.10.

Head of Service: Robin Vennard
Lead Cabinet Member: Councillor Oliver

Introduction

1. This report updates Members on the draft Revenue Budget 2020/21 following its consideration at the meeting of the Overview and Scrutiny Committee on the 27 January 2020. The minutes of that meeting (Appendix E) should be read in conjunction with this report. Details of the responses to the budget consultation are also outlined in the report. The report contains a number of Appendices as follows:

   Appendix A – Revenue Budget Summary
   Appendix B – Detailed Budgets for each service
   Appendix C – Special Expenses
   Appendix D – Earmarked Reserves
   Appendix E – Minutes of the Overview and Scrutiny Committee

2. This budget has been prepared ahead of the finalisation of the Council's new Corporate Plan. As such whilst the estimates reflect current commitments and policies, it is likely that the Council's financial, staffing and physical resources may need to be redirected into new priorities and services over the coming months and this will need to be reflected in its financial plans.

Revenue Support Grant

3. To remind Members, the Council no longer receives any Revenue Support Grant from the Government and will be wholly reliant on revenue from business rates, council tax, charges for services and income generation. Whilst at the time of writing the settlement is still draft, it is not anticipated that it will change when it is finalised.

Other Government Grants

4. As previously reported New Homes Bonus grant was also confirmed for Rother at £247,100 which is higher than in the previous forecast. This was due to an increase in the Council's actual taxbase at October 2019 compared to October 2018, of 273 net additional Band D equivalent properties. However, as this is just a one year grant, no ongoing reliance of this income can be assumed pending the outcome of the review of this grant.

5. Grant of approximately £125,000 has also been confirmed relating to the impact of the Homelessness Act. This is an £82,000 increase over that received in 2019/20. Whilst this grant is not ringfenced, it is proposed that it will be targeted towards homelessness and therefore the service expenditure shown in Appendices A and B has been increased accordingly.

Business Rates

6. Members will be aware from previous reports that the Council will revert to a 50% Business Rate pooling arrangement from April 2020 following the 75% pilot retention being abandoned by the Government ahead of the reset to the allocation of business rates from 2021/22. Since the January budget report, work has been undertaken to update the estimated retained income from Business Rates after making allowance for the impact of appeals and non-collection. The latest estimate shows:

	2019/20 75% Pilot £000	**2020/21 50% Pool £000**
Gross Share of business rates	(8,020)	(7,101)
Add: Estimated S31 grants	(1,297)	(1,892)
Less: Tariff	5,715	5,121
Less: Levy	0	195
Net Business Rates retained	**(3,602)**	**(3,677)**

Council Tax and Referendum Limit

7. The Council's Medium Term Financial Strategy relies on increasing locally generated income in order to help mitigate the loss of central government funding. Council Tax generates over £7m of income annually, twice as much as retained business rates, and therefore forms an essential part of the Council's income. Council Tax is also a relatively stable source of income for the Council and relatively cost effective to collect.

8. The 2020/21 referendum principles allows for an increase for Shire Districts of up to 2% or £5 whichever is the greater. To ensure the Council remains within this limit (after taking account of the increase in Special Expenses), Appendix A assumes an increase of £4.65 (2.6%) to £184.10 at Council Tax Band D for 2020/21. This brings additional income of £177,000 based on the 2020/21 taxbase.

9. The Council also adopted as part of the Housing, Homelessness and Rough Sleeping Strategy to increase the Council Tax premiums for empty homes

from 2020/21. The changes allowed for by Government are to incentivise owners of empty homes to bring them back into use and are not expected to raise significant additional income. The changes are as follows:

Financial year 2020/21
100% premium for properties that have been empty for at least 2 years (was 50%)

Financial year 2021/22
100% premium if property empty for at least 2 years but less than 5 years
200% premium if property empty for at least 5 years

Financial year 2022/23 onwards
100% premium if property empty for at least 2 years but less than 5 years
200% premium if property empty for at least 5 years but less than 10 years
300% premium if property empty for at least 10 years

Impact of Capital Programme on the Revenue Budget

10. The Council's capital programme (reported elsewhere on this Agenda) totals some £62.7m, although £11.8m is yet to have funding secured. A significant part of the programme relates to the Council's approved Property Investment Strategy. To date £28.2m has been expended or committed on 7 properties/sites. Income secured to date is in excess of £900,000 per annum with a further £800,000 expected once developments at Beeching Road and Barnhorn Green are delivered. A review of the existing Property Investment Strategy is underway and will be discussed with Members shortly.

11. In response to the financial challenges the Council is managing, the draft Capital Programme also seeks to minimise the use of Revenue (including Revenue Reserves) to fund capital expenditure. For 2020/21 some £1.359m is planned to be used but this reduces to £291,000 thereafter. Largely this will be replaced by borrowing where appropriate which, while having a revenue impact, is spread over a longer time period.

12. Appendix A shows the impact of borrowing on the revenue budget based on the draft Capital Programme. The cost including providing for the repayment of the debt and interest peaks at £1.3m per annum.

Final Draft Budget

13. The net Revenue Budget before Government grants and other funding is expected to be £15.602m. This includes revenue support for the capital programme of £1.359m which as identified above is funded from reserves. The underlying revenue spend is therefore £14.243m. The draft Revenue Budget includes inflation and necessary growth.

14. In preparing the draft Revenue Budget there are a number of financial issues that are still uncertain. These include:

    a. Income generation – the draft budget includes the need to deliver an additional £558,000 of income over that already achieved. It is expected that this will largely come from property investments. It should be recognised that this is a challenging target although, subject

to agreement, widening of the scope of the PIS will increase the likelihood of success.

b. Managing homelessness – homelessness continues to be a considerable social and financial challenge for the Council. The measures put in place for homeless prevention plus the investment in the direct ownership of temporary accommodation are planned to control costs. However, the Council will struggle to directly influence demand for the services of the Council which is dependant on many factors including Government benefit policy and national economics.

c. Waste Collection and Street Cleaning contract – the new waste collection and street cleaning contract saw an increase in contract cost of £1.5m in a full year. In addition, there are cost pressures in the variable works undertaken by the contractor. The full year impact of the new contract has now been built into the base budget.

d. Delivering efficiencies identified through lean and demand project – realisation of the savings identified through this work has produced both cash and time savings. Further work is continuing to take place during 2020/21 that will require investment in technology and the time savings are being realised as vacant posts and some of the voluntary redundancies contribute to these savings.

e. Voluntary Redundancies – a total of 18 posts have been identified that can be deleted following the recent call for voluntary redundancies. It is likely that this number will reduce as the process progresses. Some of these redundancies can be accommodated due to savings identified through the lean work. The total saving is being finalised but the redundancy costs will be paid back is less than one year.

15. Currently for the Council Tax part of the Collection Fund, due to a higher taxbase than estimated, a surplus of £740,000 is predicted for 2019/20 and the Council's share is estimated to be £91,000. A £128,000 surplus is predicted for Business Rates in 2019/20 and the Council's share is estimated to be £51,000.

16. Appendix A to the report summarises the draft Revenue Budget. Appendix B to the report shows the detailed budgets over the various services the Council provides. Appendix C to the report details the proposed Special Expenses for 2020/21.

Reserves

17. The draft Revenue Budget for 2020/21 utilises a total of £3m of earmarked reserves (net of contributions to reserves) to meet specific costs including supporting the Capital Programme. Some £1.6m of this is estimated to be used to balance the overall Revenue Budget. Details of the use and contributions to reserves are set out in Appendix D.

18. The total predicted Earmarked Reserves, by the end of March 2021 is estimated to be £11.9m before accounting for any additional than planned use of reserves in 2019/20. However, the financial forecast predicts that earmarked reserves will reduce to £6.1m by 2024/25. If the income and savings targets are not delivered then the level of reserves would fall below the minimum acceptable level previously agreed by Members, circa £5m. The Council has been able during austerity to maintain and increase its reserve levels through operating a robust financial regime and increasing its income

levels. Therefore the forecast position is based on the expected worst case scenario and that the use of reserves to support the revenue budget can be reduced in reality.

Budget Consultation

19. The Council budget and council tax consultation with residents and businesses closed on the 31 January 2020. At the time of writing this report there were a total of 445 responses, including 439 from residents. The results of the survey thus far show a small majority of support for raising Council Tax by £5 based on a Band D property. The analysis of the consultation will be circulated separately to Members after the closing date and a copy of the full results placed in Members' Room.

Revenue Budget - Financial Forecast

20. The five year financial forecast to 31 March 2025 has been updated and is included as part of Appendix A. The forecast includes a number of assumptions, the main one being the future delivery of recurring savings of £1.3m in 2020/21 rising to around £3m per annum from 2022/23.

21. For the purposes of the forecast, the taxbase has also been projected to increase over the period by 2% per annum. This may be optimistic and the actual change largely depends on the delivery of new developments in the north of Bexhill. This will continue to be monitored closely and the financial forecasts updated as necessary. The forecast does, however, assume that the New Homes Bonus will be phased out by 2021/22. In addition, the forecast assumes an annual 2% increase in Council Tax each year from 2021/22. Clearly this is affected by local and central government policy and therefore may not be achievable.

22. Assuming the Council is able to deliver the above savings, the forecast shows that over the five years, nearly £9m of reserves will be used including £2.5m to support the Capital Programme. By 2024/25 the Revenue Budget will still be supported by reserves by £0.9m and the remaining reserves are estimated to be £6.1m (including General Fund balance of £1m). If further savings or income can be achieved over the period then this will reduce the call on reserves. It is proposed that the Council's Medium Term Financial Strategy be updated to reflect the latest financial forecast.

Conclusion

23. The draft Revenue Budget has been balanced for 2020/21. To achieve this, the Council has set itself ambitious but achievable savings and additional income targets. However in addition £1.6m of reserves are expected to be needed to achieve a balanced budget. Due to the significant cost pressures on the Council the amount of savings required has also increased. Without action, the financial forecast shows Reserves will be under considerable pressure and may fall below acceptable levels over the next five years. This also increases the Council's vulnerability to being able to cope with unexpected costs that arise.

24. There are many dependencies and uncertainties within the budget, in particular the risks around the impact of the Fair Funding Review from

2021/22, the delivery of planned income and cost savings and the income from business rates. Delivering a sustainable future for the Council remains challenging if the Council is to maintain delivery of essential services to the public.

Malcolm Johnston	Dr Anthony Leonard
Executive Director	Executive Director

Risk Assessment Statement

The loss of all Government grant and the volatility in business rate income present a major challenge for the Council. The Council needs to deliver the savings and additional income outlined in the financial forecast to deal with the continued pressures on its budgets. Due to the changing nature and scale of those pressures mean that those plans need to be regularly refreshed in order to assess the impact on service delivery. To ensure a sound financial future for the Council, the financial strategy needs to be robust and current.

Revenue Budget Summary – 2019/20 to 2023/24

Line		2019/20 Revised £ (000)	2020/21 Budget £ (000)	2021/22 Budget £ (000)	2022/23 Budget £ (000)	2023/24 Budget £ (000)	2024/25 Budget £ (000)
	Head of Service Departmental Budgets						
1	Executive Directors & Corporate Core	2,084	2,042	2,042	2,042	2,042	2,042
2	Environmental Services	750	698	698	698	698	698
3	Strategy and Planning	961	993	993	993	993	993
4	Acquisitions, Transformation and Regeneration	(591)	(188)	(228)	(927)	(861)	(1,038)
5	Housing and Community Services	7,365	8,374	8,344	8,344	8,344	8,344
6	Resources	3,264	3,402	3,356	3,356	3,356	3,431
7	Non Pay & Income Inflation at 2%	0	0	51	102	153	204
8	Salaries pay award inflation @ 2% of 2019/20 Base Budget	0	0	188	376	564	752
9	Salaries turnover @ 3% of 2019/20 Base Budget	0	(282)	(288)	(299)	(316)	(338)
10	**Total Cost of Services**	**13,833**	**15,039**	**15,156**	**14,685**	**14,973**	**15,088**
11	Interest from Investments	(512)	(400)	(169)	(169)	(169)	(169)
12	Capital Expenditure Charged to Revenue	658	1,359	291	291	291	291
13	MRP and Interest - Property Investment Strategy	289	755	1,130	1,306	1,315	1,314
14	MRP and Interest – Other	29	97	97	145	145	145
	Savings and Income generation						
15	(i) Increase income - Property Investment Strategy	0	(544)	(605)	(605)	(605)	(605)
16	(ii) Increase income (net) – other	0	(14)	(107)	(202)	(202)	(202)
17	(iii) Lean and Demand	0	(90)	(180)	(180)	(180)	(180)
18	(iv) Service Prioritisation	0	(100)	(250)	(250)	(310)	(370)
19	(v) Devolvement	0	0	(1,350)	(1,350)	(1,350)	(1,350)
20	(vi) Reduced Staffing Structure	0	(500)	(500)	(500)	(500)	(500)
21	(vii) Shared Services	TBD	TBD	TBD	TBD	TBD	TBD
22	**Net Cost of Services**	**14,297**	**15,602**	**13,513**	**13,171**	**13,409**	**13,462**

Line		2019/20 Revised £ (000)	2020/21 Budget £ (000)	2021/22 Budget £ (000)	2022/23 Budget £ (000)	2023/24 Budget £ (000)	2024/25 Budget £ (000)
23	**Special Expenses**	(674)	(687)	0	0	0	0
24	**Business Rates**						
25	Local Share of business rates 44% 2019/20 and 40% thereafter	(8,020)	(7,101)	(7,101)	(7,101)	(7,101)	(7,101)
26	s31 Grants	(1,297)	(1,892)	(1,892)	(1,892)	(1,892)	(1,892)
27	Tariff	5,715	5,121	5,121	5,121	5,121	5,121
28	Pooling Levy	0	195	195	195	195	195
29	Transition grant	0	0	TBD	TBD	TBD	TBD
30	**Revenue Support Grant**	0	0	TBD	TBD	TBD	TBD
31	**Non-Specific Revenue Grants**						
32	New Homes Bonus Grant	(449)	(247)	(12)	0	0	0
33	Rural services delivery grant	0	(50)	(50)	(50)	(50)	(50)
34	Local Council tax Support Grant	(100)	(102)	(104)	(106)	(108)	(110)
35	Benefits Administration Grant	(233)	(238)	(223)	(223)	(223)	(223)
36	New Burdens Grant & other non-specific Grants	0	0	0	0	0	0
37	Homelessness Grant - New Burdens	(43)	0	0	0	0	0
38	Homelessness Grant – Preventions	0	(126)	(126)	(126)	(126)	(126)
39	Flexible Homeless Support Grant	(275)	(275)	(275)	(275)	(275)	(275)
40	Brexit preparations Grant	0	0	0	0	0	0
41	**Council Tax Requirement (Rother only)**	(6,830)	(7,019)	(7,199)	(7,384)	(7,573)	(7,766)
42	**Other Financing**						
43	Collection Fund (Surplus)/Deficit	336	(142)	0	0	0	0
45	Contribution from reserves to fund capital expenditure	(658)	(1,359)	(291)	(291)	(291)	(291)
46	Contributions to/(from) General Fund Balance and Reserves	(1,769)	0	0	0	0	0
47	**Total Income**	**(14,349)**	**(13,922)**	**(11,957)**	**(12,131)**	**(12,322)**	**(12,518)**
48	**Funding Gap**	**0**	**1,680**	**1,557**	**1,040**	**1,086**	**944**

	2019/20 Revised £ (000)	2020/21 Budget £ (000)	2021/22 Budget £ (000)	2022/23 Budget £ (000)	2023/24 Budget £ (000)	2024/25 Budget £ (000)
Council tax Requirement	(6,830)	(7,019)	(7,199)	(7,384)	(7,573)	(7,766)
Divided by Council Tax Base (Band D Equivalent)	38,054.1	38,124.6	38,336.6	38,548.6	38,760.6	38,972.6
Council Tax Charge	179.45	184.10	187.78	191.54	195.37	199.28

Appendix B

Revenue Budget Summary - Cost of Services	Revised Budget 2019/20	Budget 2020/21		
		Gross Expenditure	Income	Net Expenditure
	£	£	£	£
Acquisition, Transformation and Regeneration	(590,980)	1,777,900	(1,966,000)	(188,100)
Environmental Services, Licensing and Community Safety	749,690	1,064,280	(365,900)	698,380
Executive Directors and Corporate Core	2,083,640	2,163,390	(121,460)	2,041,930
Housing and Community	7,365,040	12,093,860	(3,719,970)	8,373,890
Resources	3,264,150	23,144,990	(19,743,550)	3,401,440
Strategy and Planning	961,110	1,983,110	(990,000)	993,110
Total	**13,832,650**	**42,227,530**	**(26,906,880)**	**15,320,650**

Acquisitions, Transformation and Regeneration	Revised Budget 2019/20	Budget 2020/21		
		Gross Expenditure	Income	Net Expenditure
	£	£	£	£
Ancient Monuments & Gazebo	5,460	4,810	0	4,810
Business Improvement	291,140	340,950	0	340,950
Committee Property Account	(59,640)	43,880	(114,635)	(70,755)
Community Strategy	8,570	8,470	0	8,470
Cultural Development	23,340	23,340	0	23,340
Economic Development	264,140	273,250	0	273,250
Elva Business Centre, Bexhill	(174,140)	85,970	(249,220)	(163,250)
Environment Sustainability Strategy	0	42,500	0	42,500
Head of Service Acquisitions, Transformation and Regeneration	84,200	89,080	0	89,080
Housing Policy, Strategy & Development	30,310	31,300	0	31,300
Investment properties	(193,720)	27,960	(174,200)	(146,240)
Major Projects unit	0	116,540	(55,000)	61,540
Miscellaneous Land & Buildings	(16,520)	7,410	(19,435)	(12,025)
NLPG - E-Government	(11,000)	0	(18,000)	(18,000)
Peasmarsh Workshops	(4,710)	10,650	(22,175)	(11,525)
Performance Management	13,790	14,110	0	14,110
Programme and Policy Office	248,930	308,120	0	308,120
Property Investment Strategy	(955,640)	74,750	(922,050)	(847,300)
Property Management	12,850	63,150	(250)	62,900
Regeneration	54,440	57,240	(2,800)	54,440
Residual Housing Land	(530)	0	(245)	(245)
Tourism	127,850	127,850	0	127,850
Udimore Workshops	(1,660)	3,310	(6,970)	(3,660)
Watch Oak Estate	(39,500)	500	(40,000)	(39,500)
West Trading Estate	(298,940)	22,760	(341,020)	(318,260)
Total	**(590,980)**	**1,777,900**	**(1,966,000)**	**(188,100)**

Environmental Services, Licensing and Community Safety	Revised Budget 2019/20	Budget 2020/21		
		Gross Expenditure	Income	Net Expenditure
	£	£	£	£
Alcohol Licencing	(22,060)	69,420	(89,000)	(19,580)
Animal Welfare	1,160	1,170	0	1,170
Caravan Licences & Travellers	28,520	18,100	0	18,100
Community Safety	16,070	17,260	0	17,260
Crime and Disorder Initiatives	8,300	31,750	(23,450)	8,300
Dog Control	36,140	35,530	0	35,530
Environmental Services-Admin	25,610	51,740	(31,550)	20,190
Food and Safety Team	54,680	66,150	(54,000)	12,150
Food Hyg/Idc/Water Purity	125,970	128,820	(900)	127,920
Health & Safety and ID´s	85,150	91,680	0	91,680
Houses Multiple Occupation	(1,000)	0	(1,000)	(1,000)
Licences And Registration	35,400	71,540	(37,000)	34,540
Licensing Team	(10,980)	7,720	0	7,720
Pest Control	12,150	20,990	(18,000)	2,990
Pollution	376,380	395,300	(28,000)	367,300
Private Sector Housing	1,700	650	0	650
Sub Standard Housing	230	230	0	230
Taxi & Private Hire Licences	(27,690)	55,030	(83,000)	(27,970)
Watercourses,Ditches & Drains	3,960	1,200	0	1,200
Total	**749,690**	**1,064,280**	**(365,900)**	**698,380**

Executive Directors and Corporate Core	Revised Budget 2019/20	Budget 2020/21		
		Gross Expenditure	Income	Net Expenditure
	£	£	£	£
Administrative Offices - Print Room	11,520	12,650	0	12,650
Administrative Offices - Rear Depot	2,680	2,330	0	2,330
Administrative Offices - T.H. Annex (NOT CHP)	(31,490)	43,530	(89,400)	(45,870)
Administrative Offices - Town Hall	197,010	195,390	0	195,390
Committee Service General Exp	173,190	161,870	0	161,870
Communications	50,810	50,810	0	50,810
Communications-Postages	80,220	67,510	0	67,510
Corporate Policy Making	2,130	4,330	0	4,330
District Council Elections	7,220	7,220	0	7,220
Electoral Registration	162,330	180,940	(8,500)	172,440
Emergency Planning	30,700	30,980	0	30,980
Executive Directors	331,530	346,870	(60)	346,810
Facilities Management	122,420	126,740	0	126,740
Human Resources	279,910	295,470	(23,500)	271,970
Internal Audit	146,350	148,650	0	148,650
Joint Waste Contract Client Unit including contract procurement	850	(45,440)	0	(45,440)
Legal Services	265,600	265,600	0	265,600
Public Accountability C/Ex	0	700	0	700
Representing Local Interest	273,600	268,900	0	268,900
Service Manager, Corporate & Human Resources	1,470	0	0	0
Sussex Training Partnership	(24,410)	(1,660)	0	(1,660)
Total	**2,083,640**	**2,163,390**	**(121,460)**	**2,041,930**

Housing and Community	Revised Budget 2019/20	Budget 2020/21		
		Gross Expenditure	Income	Net Expenditure
	£	£	£	£
Abandoned Vehicles	2,730	2,770	0	2,770
Allotments – Bexhill	1,780	3,050	(1,700)	1,350
Amenities Administration Account	2,000	550	0	550
Battle Community Help Point	19,420	5,270	0	5,270
Battle Sports Centre	6,000	6,000	0	6,000
Bexhill Leisure Centre	7,330	12,600	(1,100)	11,500
Bexhill Leisure Pool	8,200	41,150	(28,700)	12,450
Bexhill Parks & Open Spaces	781,710	867,790	(53,000)	814,790
Bexhill Promenade & Foreshore	26,930	106,600	(85,000)	21,600
Camber Beach & Foreshore	105,860	128,250	(25,660)	102,590
Car Parks	(1,156,600)	419,870	(1,600,400)	(1,180,530)
Care In The Community	5,100	5,100	0	5,100
Cemeteries	(38,630)	145,120	(160,000)	(14,880)
Churchyards	9,760	10,060	0	10,060
Coast Protection	39,980	41,860	(3,000)	38,860
Customer Services and Development	454,970	475,070	0	475,070
De La Warr Pavilion – Client	695,750	485,120	0	485,120
Head of Service Housing and Community Services	86,980	90,220	0	90,220
Housing Administration Account	443,220	662,400	(76,270)	586,130
Housing Loans Account	0	86,000	(86,000)	0
Housing Needs - Housing Benefit	723,250	1,301,800	(508,000)	793,800
Maintenance Services	35,350	35,330	0	35,330
Neighbourhood Services	769,450	824,810	0	824,810

Housing and Community	Revised Budget 2019/20	Budget 2020/21		
		Gross Expenditure	Income	Net Expenditure
	£	£	£	£
Property Maintenance Team	216,260	210,840	0	210,840
Public Conveniences	406,340	422,270	(5,000)	417,270
Recycling	2,420	3,700	(25,000)	(21,300)
Refuse Collection	2,379,810	3,504,590	(870,000)	2,634,590
Residual Highway Services	20,600	23,810	(3,000)	20,810
Rother Museum Services	25,010	31,680	(5,000)	26,680
Rother Tenant Finder (prev Rother Letting Service)	0	135,040	0	135,040
Rough Sleeping Initiative	0	66,090	(66,090)	0
Rural Open Spaces & Amenities	33,090	33,900	(90)	33,810
Rye Area Parks & Gardens	89,800	95,760	(8,000)	87,760
Rye Community Help Point	9,590	10,180	0	10,180
Rye Sports Centre & Pool	4,440	9,250	(3,220)	6,030
Sports Development	830	42,090	(45,490)	(3,400)
Street & Beach Cleansing	1,146,310	1,711,620	(24,000)	1,687,620
Syrian Refugees Support	0	36,250	(36,250)	0
Total	**7,365,040**	**12,093,860**	**(3,719,970)**	**8,373,890**

Resources	Revised Budget 2019/20	Budget 2020/21		
		Gross Expenditure	Income	Net Expenditure
	£	£	£	£
Accountancy	347,700	435,410	(9,070)	426,340
Benefit Investigation	(12,290)	0	(12,290)	(12,290)
Communications – Phones	110,000	80,000	0	80,000
Computer Services	831,030	873,660	(2,000)	871,660
Corporate Management	111,000	116,390	0	116,390
Cost Of Collection	(139,530)	245,620	(402,280)	(156,660)
Financial Services	4,340	0	0	0
Internal Drainage Boards	122,000	130,000	0	130,000
Printing Services	24,780	146,250	(75,200)	71,050
Procurement	25,000	25,000	0	25,000
Public Accountability – Resources	6,000	6,000	0	6,000
Reliefs & Benefits - Council Tax Benefit	83,220	74,140	0	74,140
Reliefs & Benefits - Housing Benefit	(398,890)	18,840,420	(19,242,710)	(402,290)
Revenue and Benefits	1,175,090	1,170,960	0	1,170,960
Risk Management/Insurance	4,390	0	0	0
Service Manager Finance and Welfare	106,600	112,340	0	112,340
Support To Elected Bodies/Grant	140,300	140,300	0	140,300
Treasury Management	8,500	8,500	0	8,500
Unapportion Central Overheads	714,910	740,000	0	740,000
Total	**3,264,150**	**23,144,990**	**(19,743,550)**	**3,401,440**

Strategy and Planning	Revised Budget 2019/20	Budget 2020/21		
		Gross Expenditure	Income	Net Expenditure
	£	£	£	£
Building Control	70,150	48,290	0	48,290
Complaints, Compliance, Enforcement	110,730	111,200	0	111,200
Conservation & Preservation	11,200	11,200	0	11,200
General Planning Expenses	8,230	8,230	0	8,230
Land Charges	(95,720)	80,990	(180,000)	(99,010)
Local Development Framework	150,000	150,000	0	150,000
Planning Appeals	4,500	4,500	0	4,500
Planning Applications	188,460	916,380	(710,000)	206,380
Planning Business Support	232,010	243,300	(10,000)	233,300
Planning Dept E-Government	4,000	4,000	0	4,000
Planning Enquiries	(52,000)	8,000	(50,000)	(42,000)
Planning Policy	241,600	307,370	(40,000)	267,370
Service Manager Strategy and Planning	87,950	89,650	0	89,650
Total	**961,110**	**1,983,110**	**(990,000)**	**993,110**

Special Expenses 2020/21

	2019/20 £	2020/21 £
Bexhill		
Bexhill Parks	567,480	578,830
Bexhill Allotments	1,780	1,780
Christmas Lighting	15,000	15,000
Bexhill Museum	9,540	9,540
Bus Shelters	14,660	14,660
Bexhill Town Forum	4,270	4,270
Special Expenses for Bexhill	**612,730**	**624,080**
Rye		
Rye Parks	59,020	60,200
Rye Christmas Lights	1,500	1,500
Rye Museum SLA	640	640
Bus Shelters	340	340
Less: Council Tax Support Grant		
Less; saving target		
Special Expense for Rye	**61,500**	**62,680**
Total Special Expenses (excl. Parish Precepts)	**674,230**	**686,760**

Appendix D

Reserves and Balances

	Balance 31 March 2019	Change	Balance 31 March 2020	Change	Balance 31 March 2021	Change	Balance 31 March 2022	Change	Balance 31 March 2023	Change	Balance 31 March 2024	Change	Balance 31 March 2025
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Medium Term Financial Strategy Reserve	-3,734	2,427	-1,307	2688	1,381		1,381		1,381		1,381	41	1,422
Economic Development Fund	-30		-30		-30		-30		-30		-30		-30
Risk Management Fund	-195		-195		-195		-195		-195		-195		-195
Repairs and Renewals Reserve	-1,414		-1,414	26	-1,388	418	-970	599	-371	65	-306		-306
Affordable Housing Reserve	-921		-921		-921		-921		-921		-921		-921
Corporate Development Reserve	-321		-321		-321		-321		-321		-321		-321
Planning Improvement & LDF Reserve	-283		-283		-283		-283		-283		-283		-283
Homelessness Reserve	-214		-214		-214		-214		-214		-214		-214
Grants Reserve	-2,233		-2,233		-2,233		-2,233		-2,233		-2,233		-2,233
Treasury Investment Reserve	-7,017		-7,017	325	-6,692	1430	-5,262	732	-4,530	1312	-3,218	1194	-2,024
Total	**-16,362**	**2,427**	**-13,935**	**3,039**	**-10,896**	**1,848**	**-9,048**	**1,331**	**-7,717**	**1,377**	**-6,340**	**1,235**	**-5,105**
General Fund Balance	-1,000		-1,000		-1,000		-1,000		-1,000		-1,000		-1,000
Total Usable Reserves	**-17,362**	**2,427**	**-14,935**	**3,039**	**-11,896**	**1,848**	**-10,048**	**1,331**	**-8,717**	**1,377**	**-7,340**	**1,235**	**-6,105**

Minutes of the Overview and Scrutiny Meeting – 27 January 2020

OSC19/45. (5) **DRAFT REVENUE BUDGET 2020/21**

Members gave consideration to the report of the Executive Directors on the draft Revenue Budget, which outlined the likely financial position and key issues that Members needed to consider as part of the budget setting process. The Committee had been requested to consider the draft budget and make recommendations to Cabinet, to be considered at its meeting on 10 February 2020. To ensure that Members were provided with a clear identifiable core cost for each service, all budgets were shown on a departmental basis at "Net Operational Expenditure Levels", excluding capital charges, central costs and support service recharges.

The Assistant Director Resources provided an updated outline of the budget and Members noted the main considerations, constraints and variations within the budget setting process.

For 2020/21, the Council would no longer receive the Revenue Support Grant and would be reliant solely on income from business rates, council tax, charges for services and income generation. As part of the settlement announced by the Government on 20 December 2019 indicative New Homes Bonus grant of £247,100 was expected, although no ongoing reliance of this income could be assumed as this was a one year grant.

The Council would revert to a 50% Business Rate pooling arrangement from April 2020 with the other East Sussex local authorities with a projected income for next year of nearly £3.5m.

The 2020/21 council tax base was calculated at 38,124.6 and showed an increase of 70 Band D equivalents over the equivalent December 2018 figures. The calculation made little allowance for potential growth during 2020/21 but for future years' average growth of 2% per annum had been assumed.

The confirmed 2020/21 council tax referendum principles for Rother allowed an increase in council tax of £5 or 2% whichever was the highest. The draft Revenue Budget and forecast assumed that the Council would increase council tax by £5 to £184.45 for a Band D property which would result in an increase of income from council tax by £190,600 to an estimated total of £7,032,000.

The financial risks that may affect the Council's finances were detailed in the report and these included increased costs for the Waste Collection and Street and Beach cleaning contract, which represented a significant proportion of the overall budget; homelessness demands; staffing costs and the provision for vacancies; non-pay inflation for contracts and unsecured projected income.

The section 151 Officer had made the following assumptions when calculating the draft budget:

a. Inflation – 2% for CPI had been applied to contracts.
b. Salaries – a 2% staff salary increase from September 2020.
c. Growth – as detailed at Appendix C to the report.
d. Transfers – the use of transfers between existing budgets had been encouraged to help enable funding to be re-directed into priority areas.
e. Income – where the Council had discretion, increases would be in line with the increase in costs.

The net Revenue Budget before Government grants, use of reserves and other funding was expected to be £15.5m; this was an increase of £161,000 over the revised 2019/20 Revenue Budget. Appendix A to the report summarised the Budget and the Council Tax calculations. The Budget utilised £3.3m of reserves in order to meet specific costs. Of this £1.4m would be used to support capital expenditure with the remaining £1.9m being used to support service expenditure. To aid the OSC deliberations it had been requested and agreed by Cabinet that two additional columns be added to Appendix A namely, the original budget and the end of year forecast and this had been provided to Members in advance of the meeting.

The total earmarked reserves by the end of March 2020 was estimated to be £13.8m plus a £1m General Fund balance. Over the five year financial forecast previously reported, earmarked reserves were predicted to fall to £6.8m. The minimum level of cash backed reserves and balances were considered to be £5m.

The previously approved budget consultation had now closed; 390 responses had been received. Results of the consultation would be reported to Cabinet and then Council at their meetings in February.

The draft Revenue Budget showed an increase of nearly £161,000 in the cost of services over the 2019/20 position. As explained in the report, the budget included a number of assumptions relating to income generation and savings, which if not delivered would result in an increased call on reserves.

Members had an opportunity to put forward questions and the following points were noted during the discussion:

- 23 expressions of interest had been received in respect of voluntary redundancies which had now been assessed. It was likely that five would not be progressed any further due to their impact on services and Council objectives. The remaining 18 may be reduced further once staff members received redundancy figures. It was hoped that the process would result in the required savings and the delivery of notices would take place within the current financial year. Redundancy costs would be met within a year with the savings realised over four years;

- Members were reassured that key service areas would be prioritised when considering staff savings and were keen to ensure that knowledge and resilience of staff would be maintained. Members thanked staff within the Council for their work;
- the Council had a clear process for dealing with staff redundancies and restructuring, which included triggering a process of consultation involving individual members of staff, Unison and Staff Side; and
- it was clarified that Recommendation 2 concerning the administrative building requirements of the Council would involve a report to Cabinet, having regard to the issues such as Environment Strategy, climate change, and the emerging Corporate Plan..

The Council faced major challenges with the significant reduction of Government funding and volatility in business rate income. To ensure a sound financial future, Members noted that the Council would need to uphold a robust financial strategy.

RESOLVED: That:

1) the comments of the Overview and Scrutiny Committee be considered by Cabinet when setting the 2020/21 Draft Revenue Budget at its meeting on 10 February 2020; and

2) a further report be presented to Cabinet on the options for meeting the future administrative building requirements of the Council with the objective of improving energy, operational and financial efficiency.

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Cabinet – 10 February 2020 – Item 10 Revenue Budget 2020/21

Review of NNDR retained income for 2020/21

In calculating the amount of NNDR income the Council is likely to retain for 2020/21, we have carried out a detailed review of the likely outturn for 2019/20 which impacts on the expected Collection Fund surplus/deficit taken into 2020/21 (line 41 in the above forecast) . This work informs the Council's NNDR1 Return to the Government. Unfortunately, it was not possible to complete this work before the Cabinet budget report was published. This review encompassed several aspects including:

- Impact of 2018/19 actuals compared to the estimated outturn for 2018/19 provided to the Government in January 2019 (Previous NNDR1 Return)
- Review of amounts collectable, reliefs etc in year compared to the original estimate made in January 2019.
- Review of the bad debt provision for 2019/20
- Review of the appeal provision for 2019/20

The outcome of this work suggests that there is expected to be a surplus on the NNDR part of the Collection Fund of approximately £1.8m by the end of 2019/20. This is a positive outcome of the work and Rother's share equates to some £758,000 as shown in the table below:

	Central Government	**Rother**	**ESCC**	**ESFR**	**Total**
	£'000	£'000	£'000	£'000	£'000
Redistribution of 2018/19 difference between actual and estimated outturn	630	504	114	13	1,261
Estimated Surplus relating to 2019/20	144	254	150	29	577
Total	**774**	**758**	**264**	**42**	**1,838**

This additional income is a one off change in 2020/21 and is not replicated for subsequent years. This has been reflected in the forecast and reduces the amount of reserves used to support the Revenue Budget. A revised Revenue Budget Summary, Appendix A, and projected Reserves and Balances, Appendix D, is shown below.

Appendix A

Revenue Budget Summary – 2019/20 to 2023/24

Line		2019/20 Revised £ (000)	2020/21 Budget £ (000)	2021/22 Budget £ (000)	2022/23 Budget £ (000)	2023/24 Budget £ (000)	2024/25 Budget £ (000)
	Head of Service Departmental Budgets						
1	Executive Directors & Corporate Core	2,084	2,042	2,042	2,042	2,042	2,042
2	Environmental Services	750	698	698	698	698	698
3	Strategy and Planning	961	993	993	993	993	993
4	Acquisitions, Transformation and Regeneration	(591)	(188)	(228)	(927)	(861)	(1,038)
5	Housing and Community Services	7,365	8,374	8,344	8,344	8,344	8,344
6	Resources	3,264	3,402	3,356	3,356	3,356	3,431
7	Non Pay & Income Inflation at 2%	0	0	51	102	153	204
8	Salaries pay award inflation @ 2% of 2019/20 Base Budget	0	0	188	376	564	752
9	Salaries turnover @ 3% of 2019/20 Base Budget	0	(282)	(288)	(299)	(316)	(338)
10	**Total Cost of Services**	**13,833**	**15,039**	**15,156**	**14,685**	**14,973**	**15,088**
11	Interest from Investments	(512)	(400)	(169)	(169)	(169)	(169)
12	Capital Expenditure Charged to Revenue	658	1,359	291	291	291	291
13	MRP and Interest - Property Investment Strategy	289	755	1,130	1,306	1,315	1,314
14	MRP and Interest – Other	29	97	97	145	145	145
	Savings and Income generation						
15	(i) Increase income - Property Investment Strategy	0	(544)	(605)	(605)	(605)	(605)
16	(ii) Increase income (net) – other	0	(14)	(107)	(202)	(202)	(202)
17	(iii) Lean and Demand	0	(90)	(180)	(180)	(180)	(180)
18	(iv) Service Prioritisation	0	(100)	(250)	(250)	(310)	(370)
19	(v) Devolvement	0	0	(1,350)	(1,350)	(1,350)	(1,350)
20	(vi) Reduced Staffing Structure	0	(500)	(500)	(500)	(500)	(500)
21	(vii) Shared Services	TBD	TBD	TBD	TBD	TBD	TBD
22	**Net Cost of Services**	**14,297**	**15,602**	**13,513**	**13,171**	**13,409**	**13,462**

Line		2019/20 Revised £ (000)	2020/21 Budget £ (000)	2021/22 Budget £ (000)	2022/23 Budget £ (000)	2023/24 Budget £ (000)	2024/25 Budget £ (000)
23	**Special Expenses**	(674)	(687)	0	0	0	0
24	**Business Rates**						
25	Local Share of business rates 44% 2019/20 and 40% thereafter	(8,020)	(7,101)	(7,101)	(7,101)	(7,101)	(7,101)
26	s31 Grants	(1,297)	(1,892)	(1,892)	(1,892)	(1,892)	(1,892)
27	Tariff	5,715	5,121	5,121	5,121	5,121	5,121
28	Pooling Levy	0	195	195	195	195	195
29	Transition grant	0	0	TBD	TBD	TBD	TBD
30	**Revenue Support Grant**	0	0	TBD	TBD	TBD	TBD
31	**Non-Specific Revenue Grants**						
32	New Homes Bonus Grant	(449)	(247)	(12)	0	0	0
33	Rural services delivery grant	0	(50)	(50)	(50)	(50)	(50)
34	Local Council tax Support Grant	(100)	(102)	(104)	(106)	(108)	(110)
35	Benefits Administration Grant	(233)	(238)	(223)	(223)	(223)	(223)
36	New Burdens Grant & other non-specific Grants	0	0	0	0	0	0
37	Homelessness Grant - New Burdens	(43)	0	0	0	0	0
38	Homelessness Grant – Preventions	0	(126)	(126)	(126)	(126)	(126)
39	Flexible Homeless Support Grant	(275)	(275)	(275)	(275)	(275)	(275)
40	Brexit preparations Grant	0	0	0	0	0	0
41	**Council Tax Requirement (Rother only)**	(6,830)	(7,019)	(7,199)	(7,384)	(7,573)	(7,766)
42	**Other Financing**						
43	Collection Fund (Surplus)/Deficit	336	(849)	0	0	0	0
45	Contribution from reserves to fund capital expenditure	(658)	(1,359)	(291)	(291)	(291)	(291)
46	Contributions to/(from) General Fund Balance and Reserves	(1,769)	0	0	0	0	0
47	**Total Income**	**(14,297)**	**(14,685)**	**(12,013)**	**(12,187)**	**(12,378)**	**(12,574)**
48	**Funding Gap**	**0**	**917**	**1,501**	**984**	**1,030**	**888**

Appendix D

Reserves and Balances

	Balance 31 March 2019	Change	Balance 31 March 2020	Change	Balance 31 March 2021	Change	Balance 31 March 2022	Change	Balance 31 March 2023	Change	Balance 31 March 2024	Change	Balance 31 March 2025
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Medium Term Financial Strategy Reserve	-3,734	2,427	-1,307	1951	644		644		644		644	41	685
Economic Development Fund	-30		-30		-30		-30		-30		-30		-30
Risk Management Fund	-195		-195		-195		-195		-195		-195		-195
Repairs and Renewals Reserve	-1,414		-1,414	0	-1,414	418	-996	599	-397	65	-332		-332
Affordable Housing Reserve	-921		-921		-921		-921		-921		-921		-921
Corporate Development Reserve	-321		-321		-321		-321		-321		-321		-321
Planning Improvement & LDF Reserve	-283		-283		-283		-283		-283		-283		-283
Homelessness Reserve	-214		-214		-214		-214		-214		-214		-214
Grants Reserve	-2,233		-2,233		-2,233		-2,233		-2,233		-2,233		-2,233
Treasury Investment Reserve	-7,017		-7,017	325	-6,692	1430	-5,262	732	-4,530	1312	-3,218	1194	-2,024
Total	**-16,362**	**2,427**	**-13,935**	**2,276**	**-11,659**	**1,848**	**-9,811**	**1,331**	**-8,480**	**1,377**	**-7,103**	**1,235**	**-5,868**
General Fund Balance	-1,000		-1,000		-1,000		-1,000		-1,000		-1,000		-1,000
Total Usable Reserves	**-17,362**	**2,427**	**-14,935**	**2,276**	**-12,659**	**1,848**	**-10,811**	**1,331**	**-9,480**	**1,377**	**-8,103**	**1,235**	**-6,868**

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Rother District Council

Report to	-	Cabinet
Date	-	10 February 2020
Report of the	-	Executive Directors
Subject	-	Capital Programme 2020/21 to 2024/25 and Capital Strategy

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Recommendation to COUNCIL: That

1) the Capital Strategy at Appendix A be approved and adopted; and

2) the revised Capital Programme at Appendix B be approved.

Head of Service: Robin Vennard
Lead Cabinet Member: Councillor Oliver

Introduction

1. This report updates the Council's Capital Strategy and provide details of the latest Capital Programme. The Strategy aims to gives Members an overview of the Council's approach to capital. This requirement comes from the CIPFA 2017 codes for Prudential and Treasury Management.

Capital Strategy

2. The draft Capital Strategy at Appendix A gives a high-level overview of how capital expenditure, capital financing and treasury management activities contribute to the provision of local public services, along with an overview of how associated risk is managed and the implications for future financial sustainability. The Strategy is intended to be a longer term view of investment and go beyond the detailed five year Capital Programme. However it should be recognised that the strategy is likely to change in the near future to reflect the new Corporate Plan which is currently under development. In particular recent decisions about the delivery of new housing and the draft environment strategy (reported elsewhere on this agenda) potentially will require significant investment by the Council.

3. The Strategy gives a high level overview of the following areas:

   (i) Capital Expenditure and its financing
   (ii) The role of Asset Management
   (iii) Projected Asset Disposals
   (iv) Treasury Management
   (v) Sets out the expected borrowing needs of the Council
   (vi) Sets the borrowing limits for the Council
   (vii) Sets out the expected returns on the cash investments
   (viii) Outlining other liabilities on the Council
   (ix) The impact of capital spending on the Revenue Budget
   (x) Sets out the relevant knowledge and expertise of relevant officers and advisors

4. The Strategy is based on the draft Capital Programme detailed below.

Capital Programme

5. The Council's capital programme totals some £62.7m, although £11.8m is yet to have funding secured. A significant part of the programme relates to the Council's approved Property Investment Strategy (PIS). To date £28.2m has been expended or committed on 7 properties/sites. Income secured todate is in excess of £900,000 per annum with a further £800,000 expected once developments at Beeching Road and Barnhorn Green are delivered. A review of the existing PIS is underway and will be discussed with Members shortly.

6. In response to the financial challenges the Council is managing, the draft Capital Programme also seeks to minimise the use of Revenue (including Revenue Reserves) to fund capital expenditure. For 2020/21 some £1.359m is planned to be used but this reduces to £291,000 thereafter. Largely this will be replaced by borrowing where appropriate, which while having a revenue impact, is spread over a longer time period.

7. The draft Capital Programme shows the investment in approved schemes over the next five years. It also shows where schemes are part or fully funded. Accurately forecasting spend is difficult for a number of these projects where there is a high level of uncertainty concerning issues such as funding, planning approval and land acquisition. Projects and schemes can only commit spending to the value of what is financed. The unfunded element of the programme is shown in Appendix B. These projects will only be allowed to proceed once funding is secured. The Programme is broadly the same as that reported in November, save for the rephasing of expenditure in line with the latest information. The Programme does now reflect the cost of the replacement water feature on Bexhill Seafront (£350,000) and the acquisition of Market Square in Battle at a cost of £3.256m including fees. This was part of the Council's PIS which now has £6.8m remaining uncommitted of the £35m approved funding.

Conclusion

8. The draft Capital Programme shows that despite the continued impact of the Government's austerity measures, the Council wishes to make a significant commitment to invest in the district to improve it economically and socially; to ensure it remains an outstanding place to work and live. The programme and the accompanying Capital Strategy do not come without significant risk. Members will need to recognise these risks and manage them to ensure the programme can be delivered.

Malcolm Johnston	Dr Anthony Leonard
Executive Director	Executive Director

Risk Assessment Statement

Failure to produce a Capital Strategy would mean that the Council would not be complying with the CIPFA Treasury Management and Prudential Codes of Practice and may, therefore, be at risk of making inappropriate investments leading to a potential major loss of resources or setting capital expenditure targets that would not be affordable for the Council.

Appendix A

Capital Strategy 2020/21 to 2024/25

Introduction

1. This Capital Strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activities contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability.

Capital Expenditure and Financing

2. Capital expenditure is where the Council spends money on assets, such as property or major equipment that will be used for more than one year. In local government this includes spending on assets owned by other bodies or individuals (e.g. disabled adaptations) and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £10,000 are not normally capitalised and are charged to revenue in year. Further details of the Council's policies on capital expenditure are contained in its annual Statement of Accounts.

3. In 2020/21, the Council is planning capital expenditure of £20.1m, as summarised below:

Table 1: Prudential Indicator: Estimates of Capital Expenditure in £'000

	2019/20 forecast	**2020/21 budget**	**2021/22 budget**	**2022/23 budget**	**2023/24 budget**	**2024/25 budget**
General Fund Serv	5,322	9,328	2,204	6,209	7,209	718
Regen Investments	11,923	10,820	8,495	500		
TOTAL	**17,245**	**20,148**	**10,699**	**6,709**	**7,209**	**718**

4. The main capital projects in 2020/21 include the Property Investment Strategy, £10.8m, temporary accommodation purchases, £2m and Blackfriars housing development, £3m. At this stage the programme does not reflect the grant awarded from Homes England. As the project is developed and costs become clearer the Programme will be updated.

5. In terms of governance around new capital items, Services have two main opportunities to bid for projects to be included in the Council's Capital Programme, mid-year at the time of the Medium Term Financial Strategy Review and at year end when setting the following years' budgets. Depending on circumstances bids can come forward at other times of the year. The Strategic Management Team appraises all bids and now that the Capital Programme is not fully funded, will assess their relevant priority against other schemes and the affordability of any associated financing costs. This then forms part of the financial reporting to Cabinet for approval and recommendation to full Council.

6. All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The Council is currently reviewing its financing of

those schemes where funding is yet to be identified. This is shown as unfunded in the table below. The planned financing of the above expenditure is as follows:

Table 2: Capital financing in £'000

	2019/20 Forecast	2020/21 budget	2021/22 budget	2022/23 budget	2023/24 budget	2024/25 budget
Own Resources	1,073	2,599	1,828	291	291	291
External Resources	2,859	4,262	359	1,948	0	0
Debt	13,263	12,820	8,495	500	0	0
Unfunded	50	467	17	3,970	6,918	427
TOTAL	**17,245**	**20,148**	**10,699**	**6,709**	**7,209**	**718**

7. Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as the minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned MRP and use of capital receipts are as follows:

Table 3: Replacement of debt finance in £'000

	2019/20 Forecast	2020/21 budget	2021/22 budget	2022/23 budget	2023/24 budget	2024/25 budget
MRP	111	242	353	407	420	431

8. The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The CFR is expected to £30.6m during 2020/21. Based on the above figures for expenditure (excluding unfinanced) and financing, the Council's estimated CFR moves as follows:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement in £'000

	2019/20 Forecast	2020/21 budget	2021/22 budget	2022/23 budget	2023/24 budget	2024/25 budget
General Fund services#	2,422	4,395	4,349	4,301	4,252	4,202
Regen Investments	15,536	26,209	34,420	34,584	34,235	33,877
TOTAL	**17,958**	**30,604**	**38,769**	**38,885**	**38,487**	**38,079**

#including adjustment "A" £1.091m

Asset management

9. To ensure that capital assets continue to be of long-term use, the Council has an asset management strategy in place. This ensures that capital assets continue to be of long-term use, and the Council has an Asset Management Plan in place. This sets out the Council's strategy for acquisitions, disposals, and development to meet its corporate plan objectives and statutory requirements. It includes taking a proactive approach to acquisitions to invest

in the local economy and generate income to the Council, in accordance with the Council's Property Investment Strategy. It sets out the Council's approach to maintaining its assets in a useable state of repair, and towards the management of data. The Asset Management Plan also addresses issues relating to governance, risk management, performance management and monitoring.

Asset disposals

10. When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The Council is currently also permitted (but no plans to do so) to spend capital receipts on service transformation projects until 2021/22. Repayments of capital grants, loans and investments also generate capital receipts. The Council has a number of small potential disposals in 2020/21. However, it is prudent not to rely on these until the sale is agreed.

Treasury Management

11. Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by short term borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Council is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

Borrowing strategy

12. The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between short-term loans (currently available at around 2.49%) and long-term fixed rate loans where the future cost is known but higher (currently 3.09%). It is worth noting that the spread between short and long term financing through the PWLB is considerably tighter than last year.

13. Projected levels of the Council's total outstanding debt is shown below, compared with the capital financing requirement (see above).

Table 5: Prudential Indicator: Gross Debt and the Capital Financing Requirement in £'000

	31.3.20 forecast	**31.3.21 budget**	**31.3.22 budget**	**31.3.23 budget**	**31.3.24 budget**	**31.3.25 budget**
Gross Debt (incl. PFI & leases)	16,867	29,513	37,678	37,794	37,396	36,988
Capital Financing Requirement	17,958	30,604	38,769	38,885	38,487	38,079

14. Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from Table 6, the Council expects to comply with this in the medium term.

Affordable borrowing limit

15. The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year and to keep it under review. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

Table 6: Prudential Indicators: Authorised limit and operational boundary for external debt in £'000

	2019/20 limit £'000	**2020/21 limit £'000**	**2021/22 limit £'000**	**2022/23 limit £'000**	**2023/24 limit £'000**	**2024/25 limit £'000**
Authorised limit – total external debt	57,400	57,400	57,400	57,400	57,400	57,400
Operational boundary – total external debt	52,000	52,000	52,000	52,000	52,000	52,000

16. Further details on the borrowing strategy is contained in the Council's treasury management strategy.

Other Liabilities

17. In addition to the debt detailed above, the Council is committed to making future payments to cover its pension fund deficit (valued at £25.3m as at 31 March 2019). It has also set aside provision to cover risks to business rate income from appeals. The Council is also at risk of having to pay for a share of any unfunded liabilities of the Councils' former insurer Municipal Mutual Insurance Ltd (MMI) but has not put aside any money because the amount of any payment is uncertain. This is common to all local authorities insuring with MMI prior to 1993. Further details on liabilities and guarantees are shown in the 2018/19 statement of accounts.

Investment strategy

18. Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

19. The Council's policy on treasury investments is to prioritise security and liquidity over yield, that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the Government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice.

Table 7: Treasury management investments in £'000

	31.3.20 forecast	31.3.21 budget	31.3.22 budget	31.3.23 budget	31.3.24 budget	31.3.25 budget
Near-term investments	12,043	7,677	8,012	6,913	6,800	6,800
Longer-term investments	8,000	8,000	5,000	5,000	3,801	2,607
TOTAL	**20,043**	**15,677**	**13,012**	**11,913**	**10,601**	**9,407**

20. Further details on treasury investments are contained in the Council's Treasury Management Strategy.

21. In terms of governance around treasury activities, decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Executive Director and relevant staff, who must act in line with the treasury management strategy approved by Cabinet each year. Regular reports on treasury management activity are presented to the Audit and Standards Committee who scrutinise treasury management decisions.

Investment in Commercial Property

22. The Council currently invests in existing and developing new commercial property in its area. Due to the low net returns (in the region of 2% after all costs), the main driver for the activity is to support the areas economic sustainability by retaining employment space and delivering new employment opportunities. This activity is driven through the Council's Property Investment Strategy. This current activity is in addition to historic investments the Council has made to providing commercial work space in its area.

23. With this type of investment the Council accepts higher risk on commercial investment than with treasury investments. In relation to the reacquisition of the Beeching Road head leases the principal risk exposure relates to long term vacancies and the cost of any necessary improvements to the properties. Long term vacancies also feature as the main risk to the Council's finances with the remainder of the properties. These risks are actively managed by the Council. In order that commercial investments remain proportionate to the size of the authority, these are subject to an overall maximum investment limit of £35m and contingency plans are in place, which include disposing of assets and restructuring debt arrangements, should expected yields not materialise.

24. Decisions on commercial investments are made by the relevant Executive Director subject to the support of the Property Investment Panel. The Panel comprises 5 Members and 4 officers. Property and most other commercial investments are also capital expenditure and purchases will therefore also be approved as part of the Capital Programme.

Investments for Service Purposes

25. In the past, the Council has made on occasion investments through loans to assist local public services, such as the Hastings Furniture Service. In light of the public service objective, the Council can, if it wishes, take more risk than with treasury investments, however it still should ensure such investments

break even after all costs. Decisions on service investments are made by Cabinet and Council. Most loans will be treated as capital expenditure and therefore will also be approved as part of the Capital Programme.

Revenue Budget Implications

26. Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

Table 8: Prudential Indicator: Proportion of financing costs to net revenue stream £'000

	2019/20 Forecast	2020/21 budget	2021/22 budget	2022/23 budget	2023/24 budget	2024/25 budget
Financing costs (£'000)	318	852	1,227	1,451	1,460	1,459
Proportion of net revenue stream	2.7%	6.9%	10.5%	12.3%	12.1%	11.9%

27. Further details on the revenue implications of capital expenditure are contained in the 2020/21 revenue budget.

28. Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The Section 151 Officer is satisfied that the proposed Capital Programme is prudent, affordable and sustainable because borrowing is linked to assets that will make a financial return sufficient to meet these costs.

Knowledge and Skills

29. The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Section 151 Officer is a qualified accountant with 29 years' post qualification experience and the Property Investment and Regeneration Manager is a qualified Chartered Surveyor with approximately 30 years post qualification experience, and is supported by a team which includes RICS and CIH qualified staff. The Council has access to specialist legal, valuation, surveying and procurement advice services. The Council pays for junior staff to study towards relevant professional qualifications including CIPFA, AAT, RICS and other relevant qualifications.

30. Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Link Asset Services as treasury management advisers and Savills. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

Conclusion

31. This strategy sets out the Councils' approach to its Capital spending and its treasury activities including borrowing. It should be read in conjunction with the Council's revenue budget and the Treasury Management Strategy.

Appendix B

Capital Programme 2019/20 to 2024/25

Line		2019/20 Budget £ (000)	2020/21 Budget £ (000)	2021/22 Budget £ (000)	2022/23 Budget £ (000)	2023/24 Budget £ (000)	2024/25 Budget £ (000)	Total £ (000)
1	**Acquisitions, Transformation and Regeneration**							
2	Community Grants	130	130	130	130	130	130	**780**
3	East Parade - project A - Bexhill East Beach		288					**288**
4	East Parade - project B - Shelters & Heritage Hub	32						**32**
5	Cemetery Entrance	240						**240**
6	Community Led Housing Schemes		450	150				**600**
7	Blackfriars Housing Development		3,052					**3,052**
8	1066 Pathways	164						**164**
9	Property Investment Strategy - uncommitted	0	6,820					**6,820**
10	Market Square, Battle	3,256						**3,256**
11	PIS - Beeching Road/Wainwright Road	250	3,000					**3,250**
12	PIS - Glovers House	7,812						**7,812**
13	PIS - Barnhorn Road	605	1,000	8,495	500			**10,600**
14	PIS - Beeching Road 18-40	500	460					**960**
15	Rother Transformation ICT Investment	45	345					**390**
16	Corporate Document Image Processing System		435					**435**
17	**Housing and Community Services**							
18	De La Warr Pavilion - Capital Grant	53	53	53	53	53	53	**318**
19	Bexhill Seafront - fountain		350					**350**
20	Fairlight Coastal Protection	70						**70**
21	Sidley Sports and Recreation		300					**300**
22	Land Swap re Former High School Site		1,085					**1,085**
23	Bexhill Leisure Centre - site development	415	155	1,746	5,901	6,901	410	**15,528**
24	Disabled Facilities Grant	1,625						**1,625**
25	New bins	121	125	125	125	125	125	**746**
26	Bexhill Promenade - Outflow pipe		100					**100**
27	Bexhill Promenade - Protective Barriers	50						**50**
28	Housing (purchases - temp accommodation)	1,000	2,000					**3,000**
29	**Strategy & Planning**							
30	Highways Work - London Road - Bexhill	300						**300**
31	Grants to Parishes - CIL	200						**200**
32	**Executive Directors & Corporate Core**							
33	Accommodation Strategy	75						**75**
34	Lift for Amherst Road Offices	100						**100**
35	**Resources**							
36	Enterprise Resource Planning System upgrade	36						**36**
37	ICT Infrastructure – Ongoing Upgrade Programme	166						**166**
38	**Total Capital Programme**	**17,245**	**20,148**	**10,699**	**6,709**	**7,209**	**718**	**62,728**

		2019/20 Budget £ (000)	2020/21 Budget £ (000)	2021/22 Budget £ (000)	2022/23 Budget £ (000)	2023/24 Budget £ (000)	2024/25 Budget £ (000)	Total £ (000)
39	**Funded By:**							
40	Capital Receipts	415	1,240	1,537				**3,192**
41	Grants and contributions	2,859	4,262	359	1,948	0	0	**9,428**
42	CIL							**0**
43	Borrowing	13,263	12,820	8,495	500	0	0	**35,078**
44	Capital Expenditure Charged to Revenue	658	1,359	291	291	291	291	**3,181**
45	Unfunded	50	467	17	3,970	6,918	427	**11,849**
46	**Total Funding**	**17,245**	**20,148**	**10,699**	**6,709**	**7,209**	**718**	**62,728**

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Rother District Council

Report to	-	Cabinet
Date	-	10 February 2020
Report of the	-	Executive Directors
Subject	-	Treasury Management Strategy Statement and Annual Investment Strategy

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Recommendation to COUNCIL: That the:

1) Treasury Management Strategy as set out at Appendix A be approved and adopted;
2) Annual Investment Strategy as set out at Appendix B be approved and adopted;
3) Minimum Revenue Provision Policy Statement 2020/21 be approved;
4) Prudential and Treasury Indicators as set out in Appendix A be approved; and
5) authorised limits in this report be approved.

Head of Service: Robin Vennard
Lead Cabinet Member: Councillor Oliver

Introduction

1. 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.

2. The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing 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.

3. 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.

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

5. CIPFA defines treasury management as:

   "The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

6. This report reflects Ministry of Housing, Communities and Local Government (MHCLG) Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes include the introduction of a capital strategy, to provide a longer-term focus to the capital plans, and greater reporting requirements surrounding any commercial activity undertaken under the Localism Act 2011. The Capital Strategy is reported separately on this Agenda.

Reporting requirements

Capital Strategy

7. The CIPFA revised 2017 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report, which will provide the following:

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

8. The aim of this Capital Strategy is to ensure that all elected Members on the Council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

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

10. If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the capital strategy.

Treasury Management Reporting

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

scrutinised before being recommended to Cabinet and full Council. This role is undertaken by the Audit and Standards Committee

a. **Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report is forward looking and covers:
   - the capital plans, (including prudential indicators);
   - a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time);
   - the treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
   - an investment strategy, (the parameters on how investments are to be managed).

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

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

Expected Investment Returns 2020/21

12. The 2020/21 draft Revenue Budget reported elsewhere on this Agenda assumes income of £400,000 from treasury activities. This assumes a return of 1.2% from deposit type investments and 3.8% return from property fund investments. The forecast for the next five years sees returns fall, based on the forecast use of cash reserves to support the Revenue Budget.

Conclusion

13. The expectation is that 2020/21 will remain a very difficult investment environment. The strategies proposed in this report, together with the interest rates forecast, are in line with the assumptions made when preparing the 2020/21 Revenue Budget. The costs of treasury operations are contained within the 2020/21 draft Revenue Budget reported elsewhere on this Agenda.

Malcolm Johnston	Dr Anthony Leonard
Executive Director	Executive Director

Risk Assessment Statement

Failure to produce a Treasury Management Strategy Statement would mean that the Council would not be complying with the CIPFA Treasury Management and Prudential Codes of Practice and may, therefore, be at risk of making inappropriate investments – leading to a potential major loss of resources – or setting capital expenditure targets that would not be affordable for the Council.

Treasury Management Strategy for 2020/21

1. The strategy for 2020/21 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 during 2019/20 on the legislation and treasury activities of the Council. 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 recognised 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.

	2019/20 forecast	**2020/21 budget**	**2021/22 budget**	**2022/23 budget**	**2023/24 budget**	**2024/25 budget**
	£'000	£'000	£'000	£'000	£'000	£'000
General Fund Services	5,322	9,328	2,204	6,209	7,209	718
Regeneration Investments	11,923	10,820	8,495	500		
TOTAL	**17,245**	**20,148**	**10,699**	**6,709**	**7,209**	**718**

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.

	2019/20 forecast	**2020/21 budget**	**2021/22 budget**	**2022/23 budget**	**2023/24 budget**	**2024/25 budget**
	£'000	£'000	£'000	£'000	£'000	£'000
External Sources	1,073	2,599	1,828	291	291	291
Own Resources	2,859	4,262	359	1,948	0	0
Borrowing	13,263	12,820	8,495	500	0	0
Unfunded	50	467	17	3,970	6,918	427
TOTAL	**17,245**	**20,148**	**10,699**	**6,709**	**7,209**	**718**

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:

	31.3.20 forecast	**31.3.21 budget**	**31.3.22 budget**	**31.3.23 budget**	**31.3.24 budget**	**31.3.25 budget**
	£'000	£'000	£'000	£'000	£'000	£'000
General Fund Services#	2,422	4,395	4,349	4,301	4,252	4,202
Regen Investments	15,536	26,209	34,420	34,584	34,235	33,877
TOTAL	**17,958**	**30,604**	**38,769**	**38,885**	**38,487**	**38,079**

#including adjustment "A" £1.091m

Movement in CFR

	31.3.20 forecast	**31.3.21 budget**	**31.3.22 budget**	**31.3.23 budget**	**31.3.24 budget**	**31.3.25 budget**
	£'000	£'000	£'000	£'000	£'000	£'000
Net financing need for the year (above)	17,958	30,604	38,769	38,885	38,487	38,079
Less MRP/VRP and other financing movements	111	242	353	407	420	431
Movement in CFR	**17,847**	**30,362**	**38,416**	**38,478**	**38,067**	**37,648**

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 indicators:

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.

	2019/20 forecast	2020/21 budget	2021/22 budget	2022/23 budget	2023/24 budget	2024/25 budget
Financing costs (£000)	318	852	1,227	1,451	1,460	1,459
Proportion of net revenue stream	2.7%	6.9%	10.5%	12.3%	12.1%	11.9%

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 11.9% which is largely due to the investments made under the Property Investment Strategy.

Incremental Impact of Capital Investment Decisions on Band D Council Tax

19. This indicator identifies the revenue costs associated with proposed changes to the capital programme less treasury investment returns, compared to the Council's existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates, such as the level of Government support, which are not published over a five year period.

2019/20 Forecast	2020/21 Budget	2021/22 Budget	2022/23 Budget	2023/24 Budget	2024/25 Budget
£(5.10)	11.86	27.60	33.26	33.31	33.10

Core Funds and Expected Investment Balances

20. 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	**2019/20 forecast**	**2020/21 budget**	**2021/22 budget**	**2022/23 budget**	**2023/24 budget**	**2024/25 budget**
	£'000	£'000	£'000	£'000	£'000	£'000
Fund balances / reserves	13,883	10,757	9,339	8,240	6,928	5,734
Capital receipts	2,487	1,247				
Provisions	1,873	1,873	1,873	1,873	1,873	1,873
Total core funds	**18,243**	**13,877**	**11,212**	**10,113**	**8,801**	**7,607**
Working capital	1,800	1,800	1,800	1,800	1,800	1,800
Expected investments	**20,043**	**15,677**	**13,012**	**11,913**	**10,601**	**9,407**

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

Minimum Revenue Provision (MRP) Policy Statement

21. 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).

22. 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:

23. 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

24. 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 31.3.19	Actual % 31.3.19	Actual £'000 20.1.20	Actual % 20.1.20
Treasury investments	£	%	£	%
National Westminster Bank	2,000,000	10.64%	0	0.00%
Lloyds Bank	3,500,000	18.61%	7,000,000	34.16%
Bank of Scotland	5,300,036	28.19%	4,500,006	21.96%
Santander UK Bank	1,646	0.01%	991,653	4.84%
Barclays Bank	1,060	0.01%	1,065	0.01%
Total managed funds in house	**10,802,742**	**57.45%**	**12,492,724**	**60.96%**
Property Funds	7,999,998	42.55%	7,999,998	39.04%
Total managed externally	**7,999,998**	**42.55%**	**7,999,998**	**39.04%**
Total treasury investments	**18,802,740**	**100.00%**	**20,492,722**	**100.00%**

25. 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.

	31.3.20 forecast	31.3.21 budget	31.3.22 budget	31.3.23 budget	31.3.24 budget	31.3.25 budget
	£'000	£'000	£'000	£'000	£'000	£'000
Gross Debt	16,867	29,513	37,678	37,794	37,396	36,988
Capital Financing Requirement	17,958	30,604	38,769	38,885	38,487	38,079

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

	31.3.20 forecast	31.3.21 budget	31.3.22 budget	31.3.23 budget	31.3.24 budget	31.3.25 budget
	£'000	£'000	£'000	£'000	£'000	£'000
External Debt for commercial activities / non-financial investments						
Actual debt at 31 March	16,867	29,513	37,678	37,794	37,396	36,988
Percentage of total external debt %	93.9%	96.4%	97.2%	97.2%	97.2%	97.1%

27. 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 2020/21 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.

28. 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 budget proposals.

Treasury Indicators: limits to borrowing activity

29. **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.

	2019/20 limit	**2020/21 limit**	**2021/22 limit**	**2022/23 limit**	**2023/24 limit**	**2024/25 limit**
	£'000	£'000	£'000	£'000	£'000	£'000
Operational Boundary - total external debt	52,000	52,000	52,000	52,000	52,000	52,000

30. **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.

31. 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 council's plans, or those of a specific council, although this power has not yet been exercised.

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

	2019/20 limit	**2020/21 limit**	**2021/22 limit**	**2022/23 limit**	**2023/24 limit**	**2024/25 limit**
	£'000	£'000	£'000	£'000	£'000	£'000
Authorised limit – total external debt	57,400	57,400	57,400	57,400	57,400	57,400

Prospects for interest rates

33. 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 their central view (as at November 2019).

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	%	%	%	%	%	%
Bank Rate	0.75	0.75	0.75	0.75	0.75	1.00
3 Month LIBID	0.70	0.70	0.70	0.70	0.70	0.80
6 Month LIBID	0.80	0.80	0.80	0.90	1.00	1.10
12 Month LIBID	1.00	1.00	1.00	1.10	1.20	1.30
5 Year PWLB	2.30	2.40	2.40	2.50	2.50	2.60
10 Year PWLB	2.60	2.70	2.70	2.70	2.80	2.90
25 Year PWLB	3.20	3.30	3.40	3.40	3.50	3.60
50 Year PWLB	3.10	3.20	3.30	3.30	3.40	3.50

Investment and borrowing rates

34. Investment returns are likely to remain low during 2020/21 with little prospect for significant improvement. Borrowing interest rates have been very low but in October HM Treasury increased rates by 1% across the board in response to the amount of debt local government was taking on. The spread of rates between short term borrowing and long term borrowing is very narrow making decisions regarding borrowing strategy very difficult. When an opportunity arises regarding the non treasury investments consideration will also need to be given to sourcing funding at cheaper rates from the following:

    a. Local authorities (primarily shorter dated maturities)
    b. Financial institutions (primarily insurance companies and pension funds but also some banks, out of spot or forward dates)
    c. Municipal Bonds Agency

35. 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

36. 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.

37. Against this background and the risks within the economic forecast, caution will be adopted with the 2020/21 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.

38. 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

39. The Prudential Code and CIPFA guidance says that the Council must not borrow more than or in advance of their needs purely to profit from the investment of the extra sums borrowed. On the latter point it should be remembered that this is guidance and the Council can rely on relevant legislation in order to invest in commercial activities to deliver a financial return to support the delivery of services if it so chooses. At present the Council's current Property Investment Strategy is focused on the delivery of economic sustainability and regeneration and is not solely based on financial return. However, the Council will be reviewing its investment strategies in order to secure sustainable income streams to replace lost government grant income. Consideration of the Code and guidance will need to be included with the review.

40. The Council has some flexibility to borrow funds in advance of need for use in future years. The Assistant Director, Resources (Section 151 Officer) may do this under delegated power where, for instance, a sharp rise in interest rates is expected, and so borrowing early at fixed interest rates will be economically beneficial or meet budgetary constraints. Whilst the Section 151 Officer will adopt a cautious approach to any such borrowing, where there is a clear business case for doing so borrowing may be undertaken to fund the approved Capital Programme or to fund future debt maturities.

41. 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

42. If short-term borrowing rates are 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).

43. 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).

44. 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.

Proportionality

45. The Council will consider the concept of proportionality, alongside that of affordability needs when analysing funding projects through borrowing. The costs and risks associated with that borrowing will be examined as part of the whole financial position of the council, so that the Council does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources. The Council needs to be aware of the scale and relationship with the asset base and revenue delivery to inform decision making.

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 1 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 1.25% by 2022/23. Bank Rate forecasts for financial year ends (March) are:

    2019/20 - 0.75%
    2020/21 - 1.00%
    2021/22 - 1.00%
    2022/23 - 1.25%

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:

    2019/20 - 0.75%
    2020/21 - 0.75%
    2021/22 - 1.00%
    2022/23 - 1.25%
    2023/24 - 1.50%
    2024/25 – 1.75%

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			
	2019/20	**2020/21**	**2021/22**
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.

APPROVED COUNTRIES FOR INVESTMENTS

This list is based on those countries which have sovereign ratings of AA- or higher, (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong, Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link Asset Services credit worthiness service.

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)
- Hong Kong
- France
- U.K.

AA-

- Belgium
- Qatar

AS AT 3.1.20

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.

Rother District Council

Report to	-	Cabinet
Date	-	10 February 2020
Report of the	-	Executive Director
Subject	-	Destination Leisure: Bexhill Redevelopment of Existing Leisure Centre

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Recommendation to COUNCIL: That £5m from either the Strategic Community Infrastructure Levy fund or borrowing (subject to affordability) or other funding sources be allocated to this project, noting the overall funding approach set out at Appendix 3; and that the Capital Programme be updated for the estimated costs and funding as detailed in the report.

AND

It be **RESOLVED:** That project progress be noted and the Executive Director, in consultation with the Cabinet Portfolio Holder for Safer Communities and Communications, Young People, Sport and Leisure, be granted delegated authority to:

1) agree an extension of the Bexhill Leisure Centre and Bexhill Leisure Pool contracts to secure continued operation of the existing facilities from 1 April 2021 up to the planned closure, of each centre;

2) begin the Compulsory Purchase Order process for land at the former high school site and access, subject to a full report to follow;

3) appoint an Employer's Agent and an Architect to carry out detailed design work and preparation of a reserved matters application to be funded from capital project budget previously committed; and

4) establish a Bexhill Leisure Centre Steering Group as per the Terms of Reference attached at Appendix 5.

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

Introduction

1. The 'Development of Former Bexhill High School site' is a Corporate Plan priority project consisting of a new leisure centre and housing. This report covers the leisure element of this project. A further report will follow on the housing element.

2. The objective is 'to provide a landmark leisure destination'; to deliver a comprehensive development plan for the site as per Policy BEX4 in the adopted Development and Site Allocations Local Pan.

3. A scoping study and feasibility study were carried out in 2014 to identify opportunities and constraints, helping to form more detailed project plans,

including estimated timelines and budget, dependent on the requirements of the scheme.

Project Background and Progress

4. Cabinet resolved to approve project progression in September 2017 (Minute CB17/16 refers), committing £2m and the required resources to bring the scheme forward. In July 2019, Cabinet resolved (Minute CB19/32 refers) that the new approach to developing the old Bexhill High School site Corporate Plan Project be supported by omitting the proposed hotel due to the Ministry of Defence (MOD) resolving to remain in the Drill Hall, and; separating the housing and leisure elements into two distinct projects to be brought forward separately after outline planning permission has been granted.

5. Planning consultants were appointed through a competitive procurement process to prepare and submit an outline planning application for the whole site to secure the principle and quantum of development. Outline planning was granted in December 2019 (RR/2019/430/P). Appendix 1 provides an overview of the site parameter plan associated with the application.

Land Assembly

6. The site is complex in terms of land assembly. Currently, ownership comprises Rother District Council (RDC), East Sussex County Council (ESCC), MOD and the De La Warr Estates (DLWE). There are also access rights which require consideration, a tenant operating on the site, and a small section of village green.

7. In order to bring forward the project and deliver the required road infrastructure improvements, it will be necessary to de-register a small portion of land at the front of the site from Town and Village Green (TVG) status. Officers had been in discussion with the DLWE, who were the presumed owners of this land, about acquisition. As the land was unregistered it required the DLWE to register the area prior to transfer. Based on the evidence provided, the Land Registry have granted a possessory title to the DLWE rather than title absolute. A possessory title is challengeable for 12 years from the date of registration and therefore represents a risk. Following further legal advice it is also unlikely that the Council would be unable to de-register the TVG without title absolute. Given the circumstances surrounding the registration of the land the only way of achieving this with certainty would be to compulsorily purchase the land.

8. Following legal advice a further report will be brought with a recommendation to full Council to approve a Compulsory Purchase Order (CPO) of the DLWE land. To ensure the delivery of the whole site, the land owned by ESCC should also be included in the order, even though prior agreement on the transfer of the land has been reached. The rationale for using of CPO powers is detailed below:

   i. As outlined earlier, the site is allocated under Policy BEX4 in the adopted Development and Site Allocations Local Pan.
   ii. The Council's Core Strategy (2014) identified a need for 3,100 new homes in Bexhill over the plan period (until 2028).
   iii. The most recent calculation of residual (residential) need for areas within the District can be found within the Development and Site Allocations (DaSA) Plan which demonstrates requirement (post-permissions granted

and housing completions) of 632 new homes. However, with actual delivery at only 708 homes the Council is a long way from fulfilling its housing need.

iv. The Council has secured a resolution to grant outline Planning Permission for the redevelopment of this site.

Operator Procurement

9. The three Council-owned leisure facilities in Rother are currently operated by Freedom Leisure under two separate contracts. The Rye Sports Centre forms one contract; the Bexhill Leisure Centre and Bexhill Leisure Pool form the other.

10. Rye Sports Centre contract was let from 1 April 2016 for 10+10 years, with the first 10 years expiring 31 March 2026. This contract will not be affected by the Bexhill leisure facilities procurement process.

11. The Bexhill contract was also let from 1 April 2016, but as a 2.5+2.5 years due to the known development. The contract is currently in the second 2.5 years, which expires 31 March 2021. Officers are currently in negotiations to secure continued operation of the Bexhill facilities in the short term.

12. The Bexhill Leisure Pool building is leased from the operators of the Ravenside Retail Park management company. There is a break clause in this lease set at June 2024. This means the pool could continue to be operated up to that point whilst the new facility is being built on the existing leisure centre site.

13. Strategic Leisure Limited (SLL) has been appointed to support and guide RDC through the process of appointing an operator for the new leisure centre in Bexhill. This procurement process will start in 2022/23.

14. SLL has also supported officers to identify the local need to understand the 'core facility' requirements. SLL has carried out surveys with existing clubs, users and other stakeholders to find out the potential opportunities and current barriers to leisure facility use. Appendix 2 provides an overview of the feedback.

Construction Procurement

15. Due to the complexities of the site, and the relationship between the proposed leisure development in the south and the residential development in the north of the site, it is recommended that one Employer's Agent (EA) is appointed to oversee the whole-site development. Following this, separate architects and contractors will be appointed for the two specialist elements.

16. The route to procuring for construction is as follows:
    i. Appoint an EA to act as Principal Designer and Contract Administrator throughout the entire scheme.
    ii. Appoint an architect specialising in leisure development to prepare detailed designs and submit reserved matters planning application (RIBA stage 3).
    iii. Appoint a contractor experienced in leisure centre construction under a JCT Design and Build (2016) contract to take on final 'for construction' design, and to build the new facility.

16. The current target date for a contractor to commence on site is spring 2022, with a build and fit-out programme estimated to be around 22 months. The current target date for the new facility opening is early 2024. Once the land has been secured a further report will follow on contractor procurement.

Project Finances

17. At this stage construction costs are estimations based on other recently constructed leisure facilities, taking into consideration the expected size and nature of this scheme.

18. The estimated budget and funding streams are detailed in Appendix 3, setting out scenarios based on varying levels of capital funding secured.

19. The current estimated costs and funding are:

Professional fees and preliminary costs	£789,000
Construction costs including contingency	£14,625,000
Other costs (e.g. project management, marketing)	£110,500
Total estimated costs:	**£15,524,500**
Funding (secured and non-secured)	
Section 106(refer to Appendix 3 for breakdown)	£2,238,000
RDC capital allocation	£2,113,000
Sport England funding application	£1,000,000
Housing capital receipt	£1,300,000
Total identified funding:	**£6,651,000**
Estimated Shortfall	**£8,873,500**

20. The table above shows a shortfall of funding approaching £9m. This funding gap could be bridged through a combination of Community Infrastructure Levy (CIL), or borrowing and other funding sources. The level of borrowing hopefully can be reduced if the Council is able to secure higher amounts of grants and contributions to make it more affordable

21. At the time of preparing this report CIL contributions received to date total £1,139,067. Of this £692,901 has been agreed to fund relevant projects in the district. In addition, liability notices of £12,581,320 have been raised but will only be received once development starts on those sites. Indicative Projected CIL income has been provided at Appendix 4. Following a recent decision by Cabinet, the Council is currently reviewing the process as the project is identified within the Council's adopted Infrastructure Delivery Plan by which it allocates Strategic CIL (Minute CB19/71 refers).

22. Based on external advice, a new leisure centre should be capable of delivering an income to the Council as opposed to the current nil cost contract with Freedom Leisure. The financial assessment assumes that an incoming operator would provide RDC with income to at least cover the borrowing costs. This emphasises how critical it is for the other sources of funding to be maximised to improve the viability for any new operator.

Conclusion

23. In order to progress this project to deliver the aspiration of a new single-site combined wet and dry leisure and well-being facility, the following steps will need to be taken:

i. Land assembly concluded by end of 2019/20 financial year, using CPO powers if necessary recognising that this would most likely extend the timescales.
ii. Negotiations to secure continued operation of the two existing facilities; the Bexhill Leisure Centre and Bexhill Leisure Pool, in the short term from 1 April 2021 up to planned closures.
iii. To minimise the shortfall in funding, consideration be given to CIL, borrowing (subject to affordability) and other funding streams.
iv. Appointment of an EA and an Architect to carry out detailed design work and preparation of a reserved matters application.

24. To date officers have been engaging informally with Portfolio Holders and relevant Ward Members on the progress of the project. To ensure continued engagement with Portfolio Holders and Ward Members, it is recommended that an officer and Member Steering Group is established to receive interim progress updates and provide a steer for key operational and project delivery outcomes. The proposed draft Terms of Reference is attached at Appendix 5.

25. The current project programme and the likely length of construction will require the Executive Director to be granted delegated authority in conjunction with the Cabinet Portfolio Holder for Safer Communities and Communications, Young People, Sport and Leisure to progress these matters in a timely manner to ensure the target delivery date can be met.

Dr Anthony Leonard
Executive Director

Risk Assessment Statement
Failure to allocate CIL will impact on the viability of this scheme and will also make fundraising more difficult meaning that other options would need to be considered. It should be noted that the Bexhill Leisure Centre project is identified as an 'important' infrastructure item as set out in the Council's Infrastructure Delivery Plan (IDP) – March 2019. There are a number of other projects defined as important or critical to the delivery of the development targets set out in the Core Strategy (up to 2028) which are highlighted as requiring CIL and/or developer contributions (Section 106) funding. Commitment to the level of CIL funding to the Bexhill Leisure Centre set out in this report may have an impact on the delivery of these other infrastructure items.

Negotiations to secure continued operation of the existing Bexhill facilities may result in a cost to the Council. However, the alternative to carry out a procurement process to appoint an operator for such a short term will undoubtedly come with increased costs, as well as officer time. Bringing the service in-house for a short period will also cost the Council.

There is a risk that operator tenders returned for the new leisure centre cannot provide the financial return to make the project viable. This is mitigated through maximising capital funding to reduce the financing requirements, and through soft market testing. It is current industry expectation that an operator should provide an income for a new centre.

If the project could not progress for any reason, any Employer's Agent and Architect fees payable to date would be abortive costs. The impact of this will be mitigated through robust specification to ensure that contracts can be terminated and monies paid only for works completed.

Appendix 1

Destination Leisure: Bexhill – Site Parameter

Appendix 2

Destination Leisure: Bexhill – Overview of Club and Resident Survey

Two online surveys were carried out by Strategic Leisure Limited (SLL) on behalf of the Council to understand usage and non-usage of the current leisure facilities in Rother. One survey was aimed at the general public and the second was for sports clubs and organised activity groups. Throughout this process SLL is also engaging with key stakeholders via the Active Rother partnership.

The surveys were open for four weeks from 18 October to 15 November 2019, and promoted via: My Alerts email subscription; the Council's social media platforms, and; a press release in the local newspaper.

A total of 998 responses were received.

Resident / General Public:

- Good cross section of ages represented

- 73% of respondents were female

- Most used facilities across the district;
    - 67% of respondents use Bexhill Leisure Pool
    - 56% of respondents use Bexhill Leisure Centre
    - Most users visit swimming pools, followed by health and fitness facilities

- When asked if they used the facilities at Bexhill Leisure Centre;
    - 36% - yes
    - 37% - no
    - 27% - sometimes
    - Many Bexhill Leisure Centre users not satisfied with the quality, maintenance and condition of the facilities, agreeing that the facilities are out of date and not fit for purpose

- The quality of the facilities at Bexhill Leisure Centre were rated as follows;
    - 30% - poor
    - 30% - below average
    - 26% - average
    - 13% - good
    - 1% - excellent

- When asked what facilities are needed in the District going forward an overwhelming 85% specified a 'swimming pool', followed by 'health and fitness suites' and then 'climbing walls'.

- Barriers to participation included; 'quality of facilities' (61%), 'cost' (60%), and a 'lack of awareness of what is on offer' (44%).

- When asked their views on how to overcome these barriers the respondents said that 'lower costs' (71%) would be a major factor. This was followed by; 'quality of facilities (61%), and 'pay as you go' (54%).

Club / Stakeholder:

The key issues and opportunities highlighted for clubs and stakeholder groups included:

- Venue space – some need large space and some smaller (quiet/tranquil)
- Venue hire cost
- Cost/affordability for participant
- Sufficient storage space
- Wide parking spaces
- Appropriate accessible facilities
- Training room space separate to activity area
- Appropriate coach engagement
- Need to market and engage with inactive people
- Transport links
- Safer and appropriate cycle infrastructure
- Age appropriate facilities and activities that are non-intimidating
- Facilities to cater for disabilities and conditions
- Providing facilities, activities to promote confidence in people to access
- Recruiting people from the target groups and community to promote and lead the activity
- Programming of activities – carers and families require specific new activity times to fit into family commitments
- Need to explore how to engage more people from age group 16-25/75+

National Stakeholders:

- **Swim England** is happy with current level of water space which should be maintained through refurbishment/replacement; an additional learner pool on site will help provide more diverse water space.

- **England Squash - *existing*** facilities are 'at risk' of having a negative impact on participants' playing experience due to their poor condition, poor signage to the squash courts; glass back courts make the game more accessible and increase visibility and appeal to some potential players (note that this is not necessarily appealing to some new players who do not wish to be 'on view').

Appendix 3

Destination Leisure: Bexhill: Estimated Budget, Funding and Financial Appraisal

Estimated Budget:

Costs are estimated based on the potential size of the proposed leisure centre (£ per square metre) and associated access, parking and landscape. These costs are subject to change as the detailed plans develop however there is a need to control the budget to ensure the project is financially viable.

	£
Estimated preliminary costs:	
Land assembly	£418,900
Professional fees	£345,100
Reserved matters planning fee	£25,000
Preliminary costs | S/TOTAL	**£789,000**
Estimated construction costs:	
Leisure Centre Construction	£12,500,000
Car Park and Externals	£1,000,000
Site abnormities and contingency	£625,000
Leisure Centre Fit-Out	£500,000
Leisure Centre construction costs | S/TOTAL	**£14,625,000**
Estimated other costs:	
PR and Marketing	£40,000
Miscellaneous	£10,000
Project management	£60,500
Other costs | S/TOTAL	**£110,500**
PROJECT TOTAL	**£15,524,500**

Funding:

Some funding is secured through capital programme and Section 106 allocations; others are estimated and/or require successful funding applications.

Funding	£	Secured/Unsecured
S106: Ravenside M&S	£850,000	Secured (banked)
S106: Barnhorn Green	£205,000	Secured (signed)
S106: NE Bexhill (phase 1)	£133,000	Secured (signed)
S106: NE Bexhill (phase 2)	£1,050,000	Secured (TBC)
RDC capital programme allocation	£2,113,000	Secured
Housing capital receipt (on site)	£1,300,000	Unsecured (estimated)
Community Infrastructure Levy	£5,000,000	Unsecured (estimated)
Sport England	£1,000,000	Unsecured (estimated
Total secured funding	£4,351,000	
Total unsecured funding	£7,300,000	
Total potential capital funding	£11,651,000	

Financial Appraisal Scenarios:

Five scenarios have been appraised, based on the variations of the unsecured funding opportunities. All scenarios allow for a 40 year building life expectancy and £25,000 a year sinking fund from centre opening through to year 25, to create a repair fund (e.g. replacement roof or major plant).

Each scenario provides the value of the minimum annual contribution required from an operator to ensure the project breaks even.

The worst case assumes only the currently secured funding is available; the best case assumes all identified funding is secured. The three middle cases assume varying degrees of funding.

Scenario	Shortfall (£)	Annual income required (£)
Worst case	£11,173,500	£493,000
Middle case 1	£9,873,500	£438,000
Middle case 2	£8,873,500	£396,000
Middle case 3	£4,873,500	£229,000
Best case	£3,873,500	£187,000

CIL Collected to 1 November 2019	£1,058,313*
CIL that will be collected if ALL permissions are implemented (and exemptions not applied)	£9,464,357
*£692,901 has been allocated for Strategic CIL projects.	

Indicative Future CIL collections ** based on build out rates (up to 2028) (£ millions)

Build Rate	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	Total
195	2.63	2.63	2.63	2.63	2.63	2.63	2.63	2.63	£21 (£16.8) ***
335	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	£36 (£28.8) ***
449	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	£52.4 (£42)***
727	9.8	9.8	9.8	9.8	9.8	9.8	9.8	9.8	£78 (£62)***
** Assuming £150 per sq m on 90 sq m house (£13,500 per unit)									
*** Will need to deduct 20% for exemptions (e.g. affordable housing)									

195 units	= current
335 units	= Core Strategy
449 units	= rate required to meet the shortfall in delivery
727 units	= Local Plan Review

Appendix 5

TERMS OF REFERENCE

Steering Group Objective

The Bexhill Leisure Centre Project Steering Group comprises Elected Members and council officers who are responsible for steering the project from scheme design to completion (RIBA stages 1-7).

The objective of the Steering Group is to ensure that the scheme meets the design vision of the Council and is completed on time and within budget.

Terms of Reference

- Reviewing and commenting on the designs produced by the appointed architects
- Reviewing the design process and the incorporation of consultation and feedback into the overall design
- Review, comment and make recommendations where appropriate regarding the inclusiveness of the process;
- Review, comment and make recommendations where appropriate regarding progress against the programme:
- Review, comment and make recommendations where appropriate regarding progress against the budget and future spend:
- Provide guidance on approvals required for appointment of Contractors and other consultants

Steering Group Members

Name:	**RDC role**
Cllr Doug Oliver (Chair)	Leader of the Council
Cllr Mrs Christine Bayliss	Regeneration and Bexhill Affairs (Business and Voluntary Sector Liaison)
Cllr Jay Brewerton	Safer Communities and Communications, Young People, Sport and Leisure and Member Training and Development Champion
Cllr Jonathan Vine-Hall	Strategic Planning
Cllr Richard Thomas	Ward Member (Bexhill St. Stephens)
Cllr Ashan Jeeawon	Ward Member (Bexhill St. Stephens)
Dr Anthony Leonard	Executive Director
Ben Hook	Head of Service, Acquisitions, Transformation and Regeneration
Joe Powell	Head of Service, Housing and Communities
Cheryl Poole (Secretariat)	Major Projects Manager

Roles of Steering Group Members

Role of Steering Group Member	**Responsibilities**
CHAIR	• Chair the Steering Group Meetings: ensure all members are able to contribute and the agenda is managed within the time • To keep well briefed and up-to-date with all matters relating the project

ALL STEERING GROUP MEMBERS	• To attend Steering Group meetings as scheduled having read the agenda and background papers
SECRETERIAT	• To arrange a schedule of meetings, venues, equipment and documentation • To take minutes of the Steering Group Meetings • To distribute papers for the meetings • To maintain the contact list and ensure regular circulation of information • Liaise with the press office to deal with all press enquiries and ensure that the public are well informed of the steering Group activities • Provide agenda briefs to the chairman • Prepare reports on programme and budget • To keep up to date with funding and grant opportunities and advice accordingly.

Support for the Steering Group

Support to the steering group is provided by the following:

- Legal
- Finance
- Communications and Press Office

Communication and Press Protocol

The project Steering Group is not open to the public due to the need for commercial sensitivity.

In the event that the press or other organisation ask individual steering group members to make a comment on the Bexhill Leisure Centre Project, all enquiries should be referred to the Senior Press Officer or Project Manager who will ensure that a response is given in accordance with the relevant Rother protocols.

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Rother District Council

Report to	-	Cabinet
Date	-	10 February 2020
Report of the	-	Executive Director
Subject	-	Rye Cricket Club Pavilion Alterations

Recommendation: It be **RESOLVED** That:

1) in accordance with Section 123 of the Local Government Act 1972, the additional areas to provide suitable access to the existing Rye Cricket Club Pavilion be advertised as a disposal of public open space;

2) should no objections be received, officers be authorised to surrender the existing lease and re-grant to include the additional land on identical lease terms excepting the lease demise; and

3) in the event of objections being received, officers report back to a future meeting of Cabinet.

Head of Service: Ben Hook
Lead Cabinet Member: Councillors Brewerton and Oliver

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1. In 2016, a 99 year lease was granted to Rye Cricket Club (RCC) for the use of a pavilion at Middle Salts, Rye.

2. RCC has approached the Council as they want to improve access to the pavilion by way of suitable steps to the front and a wheelchair-accessible ramp to the side. However, the proposed works fall outside of what is currently leased to RCC, see Appendix 1. The existing lease would therefore require amending to reflect the additional works, see Appendix 2.

3. RCC will carry out the works at their own expense and already have building regulation approval in place.

4. Whilst the proposed works are minor modifications to the lease demise under Section 123 of the Local Government Act 1972, granting of this lease would constitute a disposal of public open space. Therefore, an advert within a local newspaper will need to be placed for a minimum of two consecutive weeks and any objections to the proposed disposal considered by Cabinet.

Recommendation

5. Cabinet is recommended to approve the advertising of this change as required under Section 123 of The Local Government Act 1972.

6. If no objections are received, to give delegated authority to the Executive Director to surrender the existing lease and grant a new lease to RCC including the additional land.

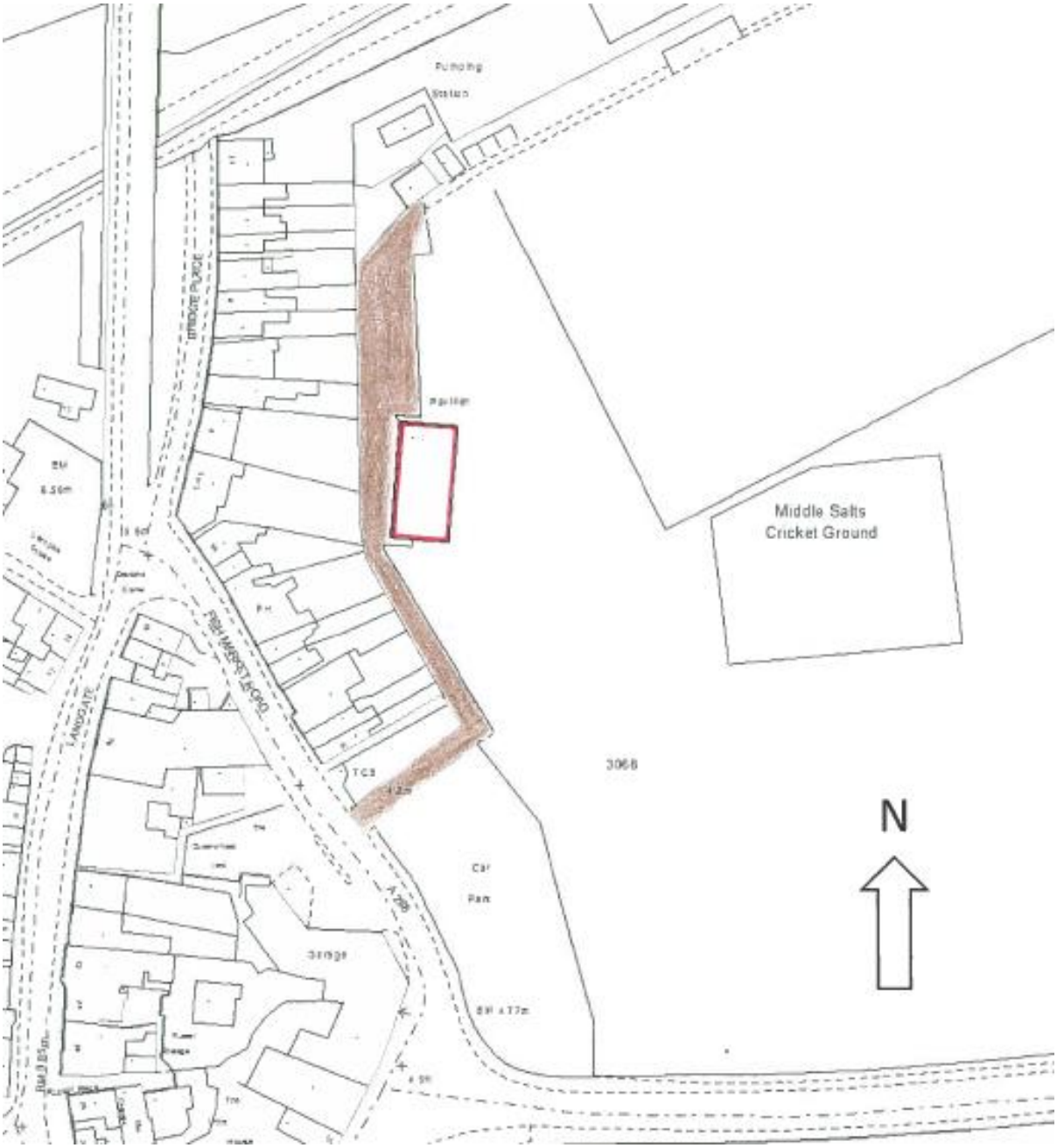
7. If objections are received, these will be detailed in a further report for consideration.

Dr Anthony Leonard
Executive Director

Risk Assessment Statement
Rye Cricket Club is an ambitious and successful cricket club in the south eastern corner of Sussex. The Club are keen to invest in the access to the pavilion to support their existing and future members and meet disabled requirements. Refusal would exclude potential members and visitors alike from using the pavilion and also constrain the growth of the Club.

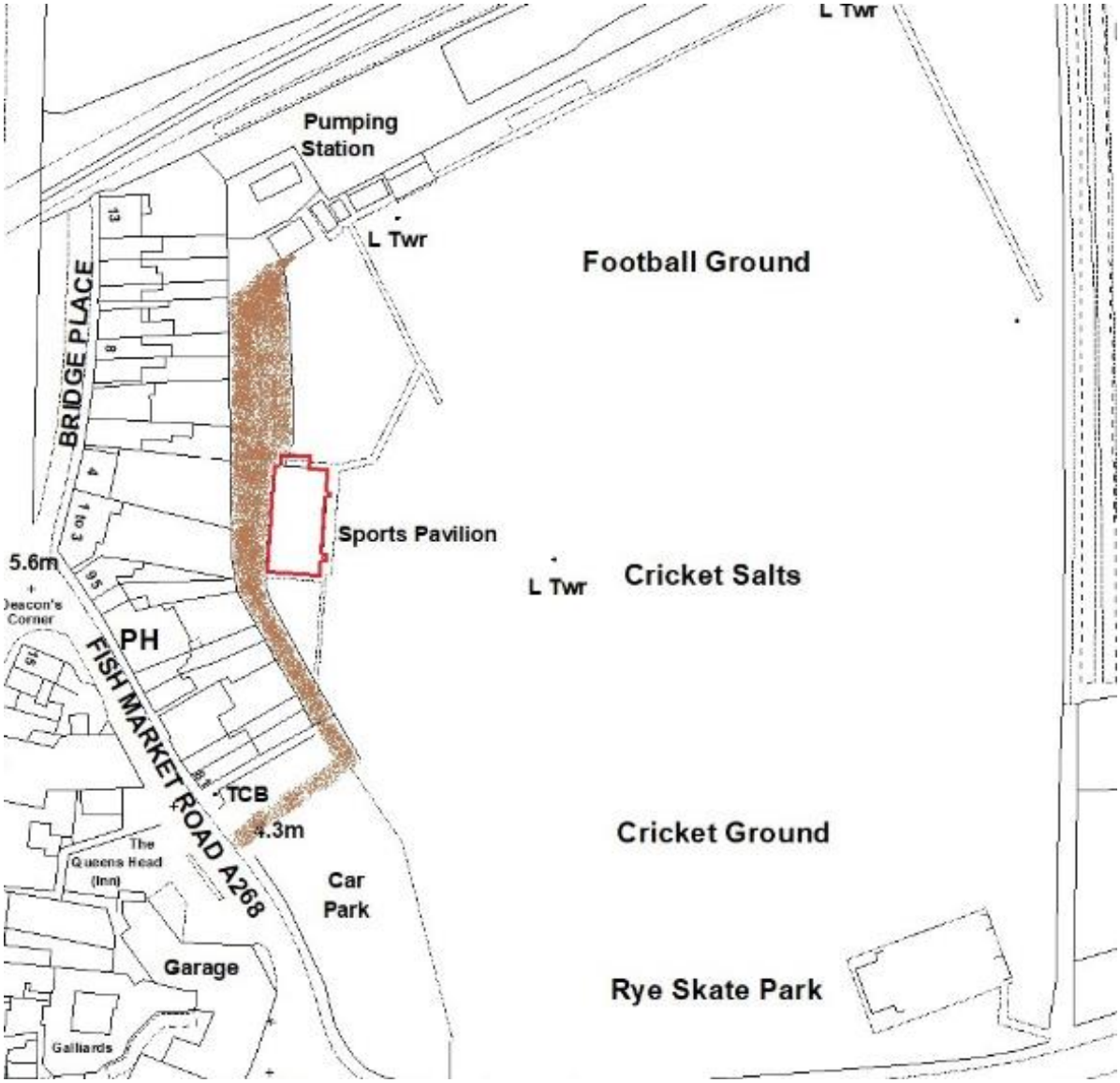
Appendix 1

EXISTING LEASE PLAN



Appendix 2

PROPOSED LEASE PLAN



Rother District Council

Report to	-	Cabinet
Date	-	10 February 2020
Report of the	-	Executive Director
Subject	-	Camber Western Car Park Management

Recommendation to COUNCIL: That the proposal to operate Camber Western Car Park, using in-house Rother District Council officers through the use of pay and display machines as described within Proposal 1 within the report, be adopted.

Head of Service: Joe Powell
Lead Cabinet Member: Councillor Mrs Earl-Williams

Background & Introduction

1. Camber Western car park is a located on the outskirts of Camber village. During the summer months the car park provides up to 1500 parking spaces and was historically operated by staff in kiosks taking money from visitors upon entry. Following a traffic management consultant's report (Cabinet Minute CB17/60 refers) it was concluded that the kiosk system contributed to the congestion on the Camber Road on peak visitor days.

2. In order to reduce congestion on peak visitor days the traffic management report of October 2017 suggested using an automatic number plate recognition (ANPR) system, to improve speed of access into and out of the car park. As a result of the report recommendations, SmartParking, was commissioned to manage the car park on a trial basis. This trial has now ended and the decision has been taken that the system is not a suitable option in the longer-term. The principle reason being that the ANPR system did not prove to reduce congestion; it only led to the car park becoming full more quickly.

3. There is therefore no operating process in place for the management and enforcement of Camber Western Car Park for the summer season 2020/21. The scale of the operation at Camber Western Car Park is significant, it is estimated that there were over 100,000 visitors to the car park in 2018/19.

4. The objectives for the management of Camber Western Car Park are to:

   - Ensure a steady flow of traffic in and out of the car park to minimise congestion locally
   - Advise and assist the public and communicate relevant information
   - Ensure cars are stacked efficiently to maximise capacity
   - Ensure adherence to the Parking Places Order
   - Ensure the safety of visitors using the car park and accessing the beach

5. The two options proposed in this report are considered to be the only options that are operationally viable to deliver at this time. A number of different

options were initially considered for the management of Camber Western Car Park, in addition to the two proposals within this report.

6. The first of these proposals was to revert back to the kiosk system used at Camber Western Car Park historically and which is still used at the smaller Camber Central Car Park. Under the kiosk system visitors stop at the kiosk and pay for a ticket on arrival, adding to queueing times for visitors. The kiosks system would require the Council to pay for additional staff to operate the kiosk, fulfilling the same function as a payment machine, adding to costs. The option was considered too financially and operationally inefficient to consider further.

7. The second option considered at an early stage was to outsource the enforcement and management functions of the car park to a contractor. It was felt that this option may well be something to keep open for consideration in the future; however, the procurement process to achieve this option would not be deliverable by the summer season. In addition, the Council is very experienced at managing this car park and it was felt that outsourcing its management may jeopardise the Council's control of the quality of the management of the car park as well as the visitor experience.

Proposal 1: in house management using pay and display

8. A SWOT analysis has been completed for this option which is included at Appendix A.

9. In the winter season (October to April) a small hardstanding area of the car park already operates as a 'Pay & Display' car park, in line with all other car parks in the District. This allows the rest of the car park surface to recover from the previous summer season, in readiness for next summer.

10. The proposal is to extend the 'Pay & Display' operation throughout the whole car park for the summer season and then revert back to the hardstanding area for the winter season.

11. The benefits of the system are:

- There would be no extra revenue cost to this option: the enforcement function would be carried out from within existing resources with car park attendants focussing on 'stacking' cars in the mornings and enforcement activity in the afternoons.
- There would be no barriers on entry or exit to the car park minimising queueing times.
- Compliance with the Parking Places Order would be achieved through enforcement.
- The payment machines would allow for cash, credit card, mobile phone and contactless payment options.

12. The disadvantages of the system are:

- It requires officer enforcement (although the cost can be met from within existing resources)

- There will be an increased administrative burden on the Neighbourhood Services Team to process notices etc.; however, this cost can also be met from within existing resources.

13. Capital cost implications:

    - Ten solar powered payment machines would need to be installed at an approximate cost of £55,000 for the machines and the cost of their installation

    Total capital cost: £55,000

14. Annual revenue cost implications:

    - Existing staff would need to be present to stack cars, liaise with the public and ensure compliance and enforce the Parking Places Order at a cost of £25,000.
    - From year two onwards maintenance costs will form part of the current Rother District service contract, which is currently being procured: £4,500
    - Based on the existing contract service agreement the annual maintenance costs for the ten new machines would be approximately £5,500 per annum.

    Total annual revenue cost: £35,000

Proposal 2: in-house management using automatic entry and exit barriers

15. A SWOT analysis has been completed for this option which is included at Appendix A.

16. The proposal is to use an automatic barrier system on both entry and exit to the car park. To enter the car park the driver approaches the barrier, the vehicle number plate is then recorded by a camera and the driver must then take a ticket before the barrier opens.

17. Before leaving the car park the driver enters the vehicle registration number at a payment machine, pays the amount due, drives to the exit barrier which opens automatically upon recognising that the fee has been paid.

18. The benefits of the system are:

    - There is no need for enforcement as drivers are unable to exit the car park without paying.
    - The payment machines would allow for cash, credit card, mobile telephone and contactless payment options.
    - Fewer payment machines would be required as there is no need to purchase a ticket on arrival, but to pay at a machine before leaving the car park.

19. The disadvantages of the system are:

    - The barrier mechanism will need maintaining and require replacement over time.

- The barrier mechanism will add to queueing times for those entering and leaving the car park.
- A back-office management system would be required 24 hours, during the summer season (April to October) to monitor the machines and assist car park users if the automatic barriers fail to operate.

20. Capital cost implications:

- Purchase and install four payment machines: £48,000
- Purchase and install four automatic barriers: £8,500
- Provision of electricity supply where needed: £7,500

Total capital cost: £64,000 + electrical cabling works as required

21. Annual revenue cost implications:

- An 'out of hours' call handling system would be required during the summer season to respond to barrier issues: £8,400
- Existing staff would need to be present to stack cars and liaise with the public: £25,000
- Annual maintenance costs for the barriers: £1,400
- Annual maintenance costs for the machines: £2,100
- Annual maintenance costs for barrier cameras: £1,600
- Annual back office costs: £3,400

Total annual revenue cost: £41,900

Conclusion

22. Both proposals 1 and 2 meet the objectives for managing Camber Western Car Park effectively, as described at paragraph 4 of this report. Proposal 1 is the preferred option and is recommended for adoption.

23. Proposal 1 requires less capital investment and will cost less to operate annually as it can be delivered from within existing staffing budgets. There is also less risk of mechanical failure with a barrier free system and the flow of traffic will be smoother without a barrier to navigate. The Council is able to maximise income by having an enforcement presence on the ground while also being able to advise and assist the public as required.

Malcolm Johnston
Executive Director

Risk Assessment Statement
A SWOT analysis has completed for both proposals presented to Members for consideration.

There is a risk of verbal abuse and assault of Council staff enforcing parking regulations at the car park. The Council has many years of car park enforcement experience and all officers will be trained and provided with processes and procedures to minimise any risk to their personal safety.

There is the risk that the Council will lose revenue income if it fails to adopt an effective management operation at Camber Western Car Park.

SWOT Analysis – Camber Western Car Park Management Options

Proposal 1 Pay and Display	
Strengths: • Free flow of traffic into and out of car park • One back office system for all car parks • One maintenance contract for all machines • Less equipment – no need for cameras/barriers • Should payment machines no longer be needed at Camber they can be re-deployed easily elsewhere in the district • Solar-powered machines – no cabling required	**Weaknesses:** • Requires enforcement (although cost can be met from within existing resources) • Increased RDC back office time to process Notices, chase for payments etc.
Opportunities: • The system could also be extended into Camber Central car park, reducing staffing costs by eliminating manned kiosks	**Threats:** • Cost of switching all car parks to an alternative solution in the future may be prohibitive due to number of machines needing replacement • Maintains emphasis on "enforcement" – reputationally better to eliminate need for enforcement
Proposal 2: Barrier System	
Strengths: • Customers unable to leave car park without complying with conditions of the PPO • No / little enforcement required as cannot overstay • No need for visitors to display ticket in their vehicle • Customers can pay at exit barrier if they have forgotten to pay	**Weaknesses:** • Coastal environment could lead to barrier breakdown • No free flow into or out of car park – increased queueing times • Increased revenue costs as requires the operation of two back office systems – one for Camber, one for the rest of RDC car parks • Separate maintenance contract required • If barrier is damaged, RDC would be unable to enforce payment for parking • Machines require cabling and due to location of electricity supply this will increase set up costs •
Opportunities: • System could be introduced into other RDC car parks at a later date • Opportunity to work with Canterbury City Council – shared services could lead to increased value for money	**Threats:** • Vandalism of barrier if car park unmanned and visitors cannot leave (this happens with gate at Central car park presently) • Risk of reputational damage due to increased queueing times.

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Rother District Council

Report to	-	Cabinet
Date	-	10 February 2020
Report of the	-	Executive Director
Subject	-	The Community Infrastructure Levy Steering Group – Terms of Reference

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Recommendation: It be **RESOLVED:** That the Terms of Reference for the Cabinet Community Infrastructure Levy Steering Group attached at Appendix 1 be approved.

Head of Service: Tim Hickling
Lead Cabinet Member: Councillor Vine-Hall

Introduction

1. At the full Council meeting held on Monday 16 December 2019 it was agreed that a Cabinet Community Infrastructure Levy Steering Group (CILSG) be established to consider draft Terms of Reference for the allocation and spending of the Strategic Community Infrastructure Levy money and report back to Cabinet at the meeting scheduled to be held on 6 April 2020.

2. The draft Terms of Reference for the CILSG have been compiled and are attached at Appendix 1 for Cabinet's approval.

Dr Anthony Leonard
Executive Director

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

Appendix 1

COMMUNITY INFRASTRUCTURE LEVY STEERING GROUP

TERMS OF REFERENCE

Aims

For the Steering Group to consider and make recommendations to Cabinet on how the Council's retained portion (Strategic) of the Community Infrastructure Levy (CIL) should be prioritised, as follows:

Scope & Objectives

Infrastructure Delivery

1. To review and propose revisions to the Infrastructure Delivery Plan (IDP)[1] to inform the forthcoming Infrastructure Funding Statement.

2. Consider how the Strategic CIL should be prioritised against the infrastructure priorities set out in the Infrastructure Delivery Plan, or a revised version of that plan, and to determine how or if Towns and Parishes can access the Strategic portion.

Governance

3. Set the Terms of Reference and procedure for assessing how the Strategic CIL should be allocated, including the membership of the Strategic CIL Decision Making Panel.

4. To consider how the Authority works with Towns and Parishes to optimise the use of CIL using the Strategic and local portion in-conjunction with the work to be carried out as part of the Infrastructure Delivery Plan

Thresholds for CIL Spending and interrelation with Community Grant funding

5. To consider the use of Strategic CIL spending thresholds and, if relevant, propose those spending thresholds

6. To consider how Strategic CIL interrelates with the Community Grant funding process.

Strategic CIL re-distribution

7. Consider if and how Strategic CIL could be allocated to areas where significant affordable housing is built but does not generate its own CIL.

8. Consider if and how Strategic CIL could be allocated to areas where housing is allocated or where it is not allocated.

Review of CIL charging framework

9. Consider, in the wider context of viability and the delivery of infrastructure within the District, whether there should be a review of the CIL charging schedule (which if a review is recommended will be required to be evidenced and subsequently be tested through an independent Examination process).

[1] This can only be completed once work has been undertaken with the infrastructure providers as part of the evidence base to support the Local Plan Update process

Approach

1. Review current methodology for allocating Strategic CIL and determining Strategic CIL funding applications.

2. Set out a detailed estimate of CIL to be collected based on existing development targets and potential future development scenarios ensuring calculations take into account affordable housing and self-build exemptions and developments which will not attract CIL where approval was gained before the introduction of CIL.

3. Collect evidence from other Local Planning Authorities in respect of their CIL bidding and allocation processes and decision-making approaches.

4. Consult broadly with Infrastructure providers, Towns and Parishes and other interested parties on proposed approaches to the allocation and use of CIL by way of written and verbal consultation.

5. Consider how Strategic CIL should be prioritised through the development of the revised Instructure Delivery Plan and Infrastructure Funding Statement.

6. Review the Strategic CIL Governance Arrangements, including seeking any appropriate legal advice, and propose the approach system for allocating/spending Strategic CIL payments across the District.

Timescales

Report back to Overview and Scrutiny Committee – November 2020.
Report back to Cabinet – December 2020.

Membership

<u>4 Elected Members</u>
The Leader, Deputy Leader, the Cabinet Member for Strategic Planning, the Cabinet Member for Regeneration.

Elected members will be voting members of the Steering Group.

The Chairman will be elected from amongst the 4 elected Members at the first meeting.

Meetings will require at least 3 elected members to attend to be quorate.

<u>Officers</u>
Head of Service Strategy and Planning, Planning Policy Manager and CIL Officer.

Additional input from other elected members, officers and outside representatives, as and when required.

Officers have no voting rights on the Steering Group.

<u>Meetings</u>
There will be at least four formal meetings of the Steering Group each year. Meetings will be open for the public to attend (non-speaking).

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