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Rother District Council

Cabinet

Date and Time - **Monday 8 February 2021 – 6:30pm**

Venue - **Remote Meeting**

Councillors appointed to the Committee:
Councillor D.B. Oliver (Leader), S.M. Prochak, MBE (Deputy Leader), C.A. Bayliss, J.H.F. Brewerton, T.J.C. Byrne, K.P. Dixon, K.M. Field, H.L. Timpe and J. Vine-Hall.

AGENDA

1. **MINUTES**

   To authorise the Leader to sign the Minutes of the meeting held on 11 January 2021, at a later date, 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. **DRAFT REVENUE BUDGET 2021/22** (Pages 1 - 24)

7. **TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY** (Pages 25 - 50)

8. **CAPITAL STRATEGY 2021/22 TO 2025/26** (Pages 51 - 62)

9. **DEVELOPMENT OF A LOCAL LOTTERY TO SUPPORT COMMUNITY FUNDING** (Pages 63 - 70)

10. **INSTALLATION OF A HYBRID MEETING SYSTEM FOR THE COUNCIL CHAMBER** (Pages 71 - 76)

11. **TOWN HALL REDEVELOPMENT PROPOSALS** (Pages 77 - 88)

12. **INTRODUCTION OF FEES FOR TENNIS COURT BOOKINGS AT EGERTON PARK** (Pages 89 - 92)

13. **EGERTON PARK LEASED TENNIS COURTS: DISPOSAL OF PUBLIC OPEN SPACE** (Pages 93 - 98)

Malcolm Johnston
Chief Executive

Agenda Despatch Date: 29 January 2021

Rother District Council

Report to:	Cabinet
Date:	8 February 2021
Title:	Draft Revenue Budget 2021/22
Report of:	Finance Manager
Cabinet Member:	Councillor Dixon
Ward(s):	All
Purpose of Report:	To present the draft Revenue Budget 2021/22 for approval
Decision Type:	Key

Officer Recommendation(s):

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) the net expenditure of £16,374,225 for 2021/22 be approved;

(3) the amount of reserves set out in Appendix D be approved, and;

(4) the Council Tax for 2021/22 at Band D be increased by £4.61 (2.5%) and set at £188.71.

Reasons for Recommendations: To agree the draft Revenue Budget 2021/22 and propose the 2021/22 Council Tax and Special Expenses to Council for approval.

Introduction

1. This report updates Members on the draft Revenue Budget 2021/22 following its consideration at the meeting of the Overview and Scrutiny Committee on the 25 January 2021. 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
   Appendix F – Budget consultation report

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 and Other Government Grants

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, income generation and specific grants for discreet services. Whilst at the time of writing the settlement is still draft, it is not anticipated that it will change when it is finalised.

4. The draft settlement did however confirm a specific additional COVID-19 grant of £519,000 to support the ongoing effects of the pandemic in 2021/22. The announcement also included grant to extend the help for residents through the Council Tax Reduction Support scheme (CTRS). Based on the provisional numbers, this is approximately £146,000 for Rother, £1.46m in total including preceptors. This funding only effects the Collection Fund and does not meet the loss of income due to the increase in the number of households claiming CTRS.

5. As previously reported, New Homes Bonus grant of £271,770 was also confirmed for Rother which is higher than in the previous forecast. In line with the previous agreement of Cabinet, this has been incorporated into the draft budget to reduce the use of reserves. However, as this is a one-year grant, no ongoing reliance of this income can be assumed, pending the outcome of the review of this grant.

Business Rates

6. The Council remains in the East Sussex 50% Business Rate pooling arrangement for 20201/22. An assessment has been undertaken of the risk due to the financial impact of the pandemic on the local economy and on balance it is expected that it will still benefit the County as a whole to remain pooled. This assessment included a break-even scenario where four of the five councils saw a 10% loss of income and one Council a 25% loss of income. If the Government extend the current increase in business rate reliefs, then the financial risk to the pool is substantially reduced.

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 2021/22 referendum principles allow 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 £4.61 (2.5%) to £188.71 at Council Tax Band D for 2020/21. This brings a total Council Tax income for the Council of £7.1m.

Impact of Capital Programme on the Revenue Budget

9. The Council's capital programme (reported elsewhere on this Agenda) totals some £187m although £80m is yet to have funding secured. A significant part of the programme relates to the Council's approved Property Investment Strategy. To date £14.8m has been expended or committed on seven properties/sites. Income secured to date is in excess of £911,000 per annum with a further £846,00 expected once developments at Beeching Road and Barnhorn Green are delivered.

10. In response to the financial challenges the Council is managing, the draft Capital Programme also seeks to reduce the use of Revenue (including Revenue Reserves) to fund capital expenditure. For 2021/22 some £619,000 of reserves is planned to be used. This is higher than previously forecast due to slippage in the 2020/21 Capital Programme and therefore does not represent an overall increase in the use of reserves.

11. 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 is forecast to peak at £2.4m per annum in 2023/24.

Final Draft Budget

12. The net Revenue Budget before Government grants and other funding is expected to be £16.374m. This includes revenue support for the capital programme of £619,000 which, as identified above, is funded from reserves. The underlying revenue spend is therefore £15.755m. The draft Revenue Budget includes inflation and necessary growth.

13. In preparing the draft Revenue Budget there are several financial issues that are still uncertain. These include:

    a. Other savings/income– the draft budget includes a target to deliver an additional £632,000 of income and savings over that already achieved.

    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 influence demand for the services of the Council which is dependent on many factors including Government benefit policy and national economics.

    c. Delivering efficiencies – the realisation of savings identified through the work of the Financial Stability Programme (see below) is essential. It is likely that to release savings will require investment in technology and ultimately this may enable a reduction in the workforce.

14. Currently for the Council Tax part of the Collection Fund, a deficit is predicted for 2020/21 with the Council's share estimated to be £81,000. As a result of the Government extending the amount of business rate relief during 2020/21

there is an £11.5m deficit predicted for Business Rates in 2020/21. However, after taking account of the additional compensating grant funding received from the Government, the Council's share is estimated to be £322.,000. As these losses are greatly affected by the pandemic, the Government has also allowed Councils to spread the impact over three years. For Council Tax this equates to a Rother share of £27,000 per annum and for Business Rates this is £107,000 per annum. This has been reflected in Appendix A.

15. 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 2021/22.

Reserves

16. The draft Revenue Budget for 2021/22 utilises a total of £3.3m of earmarked reserves to meet specific costs including supporting the Capital Programme. Some £2.7m 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.

17. The total predicted Earmarked Reserves, by the end of March 2022 is estimated to be £7m before accounting, although this may change depending on the final outturn for 2020/21. Until the current financial year the Council has been able to maintain and increase its reserve levels through operating a robust financial regime and increasing its income levels. However, the financial forecast predicts that earmarked reserves will reduce to £4m by 2025/26. If the income and savings targets are not delivered, then the level of reserves would fall further.

Budget Consultation

18. The Council budget and council tax consultation with residents and businesses closed on the 18 January 2021. There was a total of 343 responses, of which 333 were from residents. A summary of the results is shown at Appendix F. The full detail and analysis of the consultation will be available to Members separately.

Revenue Budget - Financial Forecast

19. The five year financial forecast to 31 March 2026 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 £632,000 in 2021/22 rising to around £2.2m per annum from 2024/25.

20. 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 2022/23. In addition, the forecast assumes an annual 2% increase in Council Tax each year from 2022/23 Clearly this is affected by local and central government policy and therefore may not be achievable.

21. Assuming the Council is able to deliver the above savings, the forecast shows that over the five years, nearly £7.4m of reserves will be used including £1.5m to support the Capital Programme. However, if delivery of income and savings is achieved in line with the forecast (both timing and amount), by 2024/25 it will be possible to make small contributions to reserves. 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 Plan be updated to reflect the latest financial forecast.

Financial Stability Programme

22. To ensure organisational focus is maintained on the delivery of extra income and cost savings, a financial stability programme is being finalised. This replaces the previous Rother 2020 Programme and will be supported by a small board of Members and Officers to consider proposals, oversee progress and to manage any hurdles to achieving the Corporate Plan objective of financial stability for the Council by March 2026 financial year. The programme board will report progress regularly to Cabinet.

Conclusion

23. The draft Revenue Budget has been balanced for 2021/22. To achieve this, the Council has set itself ambitious but achievable savings and additional income targets. However, in addition £2.7m 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 2022/23, 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.

Other Implications	Applies?	Other Implications	Applies?
Human Rights	No	Equalities and Diversity	No
Crime and Disorder	No	Consultation	Yes
Environmental	No	Access to Information	No
Sustainability	No	Exempt from publication	No
Risk Management	No		

25.

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Appendices:	Appendix A - 2021/22 Revenue Budget Summary and Five-Year Forecast Appendix B - Revenue Budget Summary - Cost of Services Appendix C – Special Expenses Appendix D - Earmarked Reserves

	Appendix E - Minutes of the Overview and Scrutiny Committee Appendix F- Budget Consultation report
Relevant Previous Minutes:	None
Background Papers:	Local Government Settlement 2021/22
Reference Documents:	None

Appendix A

Revenue Budget 2021/22 and Forecast to 2025/26

	Projected 2020/21 Outturn £ (000)	2021/22 Budget £ (000)	2022/23 Budget £ (000)	2023/24 Budget £ (000)	2024/25 Budget £ (000)	2025/26 Budget £ (000)
Chief Executive & Corporate Core	2,136	2,034	1,870	1,870	1,870	1,870
Environmental Services	680	658	513	513	513	513
Strategy and Planning	1,198	1,090	1,121	1,121	1,121	1,121
Acquisitions, Transformation and Regeneration	55	(297)	(888)	(2,303)	(3,454)	(3,630)
Housing and Community Services	9,799	8,739	8,308	8,308	8,308	8,308
Resources	4,361	3,350	3,140	3,140	3,140	3,140
Total Cost of Services	**18,229**	**15,574**	**14,065**	**12,650**	**11,498**	**11,323**
Pay Inflation	0	0	102	153	204	255
Non-Pay Inflation	0	0	376	564	752	940
Vacancy Provision	0	(288)	(299)	(316)	(338)	(366)
Interest from Investments	(302)	(326)	(370)	(370)	(370)	(370)
Capital Expenditure Charged to Revenue	1,839	619	378	188	187	130
MRP and Interest - Property Investment Strategy	160	513	837	1,196	1,202	1,157
MRP and Interest - Other	368	914	1,281	1,236	1,133	1,115
Savings and Income generation						
(i) Increase income - Property Investment Strategy	0	0	0	0	0	0
(ii) Increase income (net) - other	0	(107)	(202)	(202)	(202)	(202)
(iii) Lean and Demand	0	(180)	(180)	(180)	(180)	(180)
(iv) Service Prioritisation/Devolvement	0	(250)	(1,600)	(1,660)	(1,720)	(1,720)
(v) Reduced Staffing Structure	0	(95)	(95)	(95)	(95)	(95)
(vi) Shared Services	0	0	0	0	0	0
Net Cost of Services	**20,294**	**16,374**	**14,293**	**13,163**	**12,070**	**11,986**

Appendix A

Revenue Budget 2021/22 and Forecast to 2025/26

	Projected 2020/21 Outturn £ (000)	2021/22 Budget £ (000)	2022/23 Budget £ (000)	2023/24 Budget £ (000)	2024/25 Budget £ (000)	2025/26 Budget £ (000)
Special Expenses	(687)	(692)	0	0	0	0
Business Rates						
Local Share of business rates 44% 2019/20 and 40% thereafter	(2,868)	(7,043)	(7,043)	(7,043)	(7,043)	(7,043)
s31 Grants	(6,161)	(2,020)	(2,020)	(2,020)	(2,020)	(2,020)
Tariff	5,121	5,121	5,121	5,121	5,121	5,121
Pooling Levy	195	195	195	195	195	195
					0	
Non-Specific Revenue Grants					0	
New Homes Bonus Grant	(247)	(272)	0	0	0	0
Rural services delivery grant	(31)	(31)	(32)	(32)	(33)	(34)
Local Council tax Support Grant	(102)	(146)	(149)	(152)	(155)	(158)
Benefits Administration Grant	(215)	(223)	(227)	(232)	(237)	(241)
New Burdens Grant & other non-specific Grants	(30)	0	0	0	0	0
Homelessness Grant - New Burdens	(126)	0	0	0	0	0
Homelessness Grant - Preventions	0	(462)	(471)	(481)	(490)	(500)
Flexible Homeless Support Grant	(276)	0	0	0	0	0
Covid Support Grants	(2,372)	(519)	0	0	0	0
Council Tax Requirement (Rother only)	(7,019)	(7,097)	(7,215)	(7,384)	(7,607)	(7,836)
Other Financing					0	0
Collection Fund (Surplus)/Deficit	(849)	134	134	134	0	0
Contribution from reserves to fund capital expenditure	(1,839)	(619)	(378)	(188)	(187)	(130)
Total Income	**(17,506)**	**(13,673)**	**(12,085)**	**(12,082)**	**(12,456)**	**(12,647)**
Contribution from Reserves/Funding Gap	**2,788**	**2,700**	**2,207**	**1,082**	**(386)**	**(661)**

Appendix B

Revenue Budget Summary – Cost of Services

Revenue Budget Summary - Cost of Services	Revised Budget 2020/21	Budget 2021/22		
		Gross Expenditure	Income	Net Expenditure
	£	£	£	£
Acquisition, Transformation and Regeneration	(313,000)	1,771,015	(2,068,165)	(297,150)
Chief Executive and Corporate Core	1,980,930	2,155,190	(120,870)	2,034,320
Environmental Services, Licensing and Community Safety	505,390	969,400	(311,900)	657,500
Housing and Community	8,312,070	12,726,400	(3,987,465)	8,738,935
Resources	3,177,250	22,683,750	(19,334,240)	3,349,510
Strategy and Planning	970,610	2,080,110	(990,000)	1,090,110
Total	**14,633,250**	**42,385,865**	**(26,812,640)**	**15,573,225**

Acquisitions, Transformation and Regeneration	Revised Budget 2020/21	Budget 2021/22		
		Gross Expenditure	Income	Net Expenditure
	£	£	£	£
Ancient Monuments & Gazebo	4,810	25,930	0	25,930
Business Improvement	304,870	316,580	0	316,580
Committee Property Account	(70,750)	41,700	(98,920)	(57,220)
Community Strategy	8,470	8,200	0	8,200
Cultural Development	23,340	23,350	0	23,350
Economic Development	251,250	326,340	(47,500)	278,840
Elva Business Centre, Bexhill	(163,250)	86,440	(235,100)	(148,660)
Environment Sustainability Strategy	42,500	42,500	0	42,500
Head of Service Acquisitions, Transformation and Regeneration	89,080	97,180	0	97,180
Housing Development Team	0	110,420	(62,080)	48,340
Housing Policy, Strategy & Development	31,300	6,795	0	6,795
Investment properties	(146,240)	17,580	(187,700)	(170,120)
Major Projects unit	61,540	169,970	(55,000)	114,970
Miscellaneous Land & Buildings	(12,020)	8,690	(16,970)	(8,280)
NLPG - E-Government	(18,000)	9,000	(20,000)	(11,000)
Peasmarsh Workshops	(11,520)	11,500	(22,120)	(10,620)
Performance Management	14,110	13,900	0	13,900
Programme and Policy Office	241,280	174,250	0	174,250
Property Investment Strategy	(847,300)	56,270	(983,530)	(927,260)
Property Management	62,900	8,750	0	8,750
Regeneration	54,440	57,240	(2,800)	54,440
Residual Housing Land	(240)	0	(125)	(125)
Tourism	127,850	125,750	0	125,750
Udimore Workshops	(3,660)	3,310	(7,090)	(3,780)
Watch Oak Estate	(39,500)	500	(40,000)	(39,500)
West Trading Estate	(318,260)	28,870	(289,230)	(260,360)
Total	**(313,000)**	**1,771,015**	**(2,068,165)**	**(297,150)**

Appendix B

Chief Executive and Corporate Core	Revised Budget 2020/21	Budget 2021/22		
		Gross Expenditure	Income	Net Expenditure
	£	£	£	£
Administrative Offices - Print Room	12,650	13,450	0	13,450
Administrative Offices - Rear Depot	2,330	2,380	0	2,380
Administrative Offices - T.H. Annex (NOT CHP)	(45,870)	44,000	(85,970)	(41,970)
Administrative Offices - Town Hall	195,390	195,920	0	195,920
Committee Service General Exp	173,870	175,180	0	175,180
Communications	50,810	51,490	0	51,490
Communications-Postages	67,510	62,200	0	62,200
Corporate Policy Making	4,330	4,550	0	4,550
District Council Elections	7,220	7,240	0	7,240
Electoral Registration	172,440	187,670	(8,500)	179,170
Emergency Planning	35,980	32,490	0	32,490
Chief Executive/Executive Directors	280,810	236,140	0	236,140
Facilities Management	126,740	132,450	0	132,450
Human Resources	271,970	324,050	(26,400)	297,650
Internal Audit	148,650	155,360	0	155,360
Joint Waste Contract Client Unit including contract procurement	(45,440)	0	0	0
Legal Services	265,600	265,600	0	265,600
Public Accountability C/Ex	700	980	0	980
Representing Local Interest	256,900	264,040	0	264,040
Sussex Training Partnership	(1,660)	0	0	0
Total	**1,980,930**	**2,155,190**	**(120,870)**	**2,034,320**

Appendix B

Environmental Services, Licensing and Community Safety	Revised Budget 2020/21	Budget 2021/22		
		Gross Expenditure	Income	Net Expenditure
	£	£	£	£
Alcohol Licencing	(19,580)	68,760	(89,000)	(20,240)
Animal Welfare	1,170	1,160	0	1,160
Caravan Licences & Travellers	18,100	18,100	0	18,100
Community Safety	17,260	191,780	(20,000)	171,780
Crime and Disorder Initiatives	8,300	31,750	(23,450)	8,300
Dog Control	35,530	35,560	0	35,560
Environmental Services-Admin	20,190	47,000	(31,550)	15,450
Food and Safety Team	(40,850)	0	0	0
Food Hyg/Idc/Water Purity	127,920	133,450	(900)	132,550
Health & Safety and ID´s	91,680	91,030	0	91,030
Houses Multiple Occupation	(1,000)	0	(1,000)	(1,000)
Licences and Registration	34,540	69,770	(37,000)	32,770
Licensing Team	(34,340)	0	0	0
Pest Control	2,990	20,770	(18,000)	2,770
Pollution	269,370	203,830	(8,000)	195,830
Private Sector Housing	650	650	0	650
Sub Standard Housing	230	230	0	230
Taxi & Private Hire Licences	(27,970)	55,060	(83,000)	(27,940)
Watercourses, Ditches & Drains	1,200	500	0	500
Total	**505,390**	**969,400**	**(311,900)**	**657,500**

Housing and Community	Revised Budget 2020/21	Budget 2021/22		
		Gross Expenditure	Income	Net Expenditure
	£	£	£	£
Abandoned Vehicles	2,770	2,820	0	2,820
Allotments - Bexhill	1,350	2,980	(1,630)	1,350
Administration Account	550	0	0	0
Battle Community Help Point	5,270	5,270	0	5,270
Battle Sports Centre	6,000	6,000	0	6,000
Bexhill Leisure Centre	11,500	142,930	(1,520)	141,410
Bexhill Leisure Pool	12,450	41,520	(29,500)	12,020
Bexhill Parks & Open Spaces	814,790	874,950	(55,500)	819,450
Bexhill Promenade & Foreshore	21,600	107,060	(100,000)	7,060
Camber Beach & Foreshore	102,590	132,140	(25,660)	106,480
Car Parks	(1,180,530)	573,750	(1,624,450)	(1,050,700)
Care in The Community	5,100	5,100	0	5,100
Cemeteries	(14,880)	146,970	(160,800)	(13,830)
Churchyards	10,060	10,580	0	10,580
Coast Protection	38,860	42,190	(3,000)	39,190
Customer Services and Development	475,070	526,290	0	526,290
De La Warr Pav - Client	485,120	485,890	0	485,890
Head of Service Housing and Community Services	90,220	91,750	0	91,750
Housing Administration Account	560,130	615,580	(76,270)	539,310
Housing Loans Account	0	86,000	(86,000)	0
Housing Needs - Housing Benefit	792,800	1,550,800	(508,000)	1,042,800
Maintenance Services	35,330	37,510	0	37,510
Neighbourhood Services	786,990	806,090	0	806,090
Property Maintenance Team	213,840	215,930	0	215,930
Public Conveniences	417,270	424,950	(5,000)	419,950
Recycling	(21,300)	1,700	(7,200)	(5,500)

Housing and Community (Continued)	Revised Budget 2020/21	Budget 2021/22		
		Gross Expenditure	Income	Net Expenditure
	£	£	£	£
Refuse Collection	3,120,840	3,927,090	(970,000)	2,957,090
Residual Highway Services	20,810	20,520	(3,000)	17,520
Rother Museum Services	26,680	32,790	(5,700)	27,090
Rother Tenant Finder (prev Rother Letting Service)	135,040	137,030	0	137,030
Rough Sleeping Initiative	0	69,290	(69,290)	0
Rural Open Spaces & Amenities	33,810	34,880	(95)	34,785
Rye Area Parks & Gardens	87,760	98,390	(7,620)	90,770
Rye Community Help Point	10,180	10,200	0	10,200
Rye Sports Centre & Pool	6,030	9,560	(3,240)	6,320
Sports Development	(3,400)	42,870	(45,490)	(2,620)
Street & Beach Cleansing	1,201,370	1,184,350	(24,000)	1,160,350
Syrian Refugees Support	0	137,230	(140,000)	(2,770)
Temporary Accommodation Properties	0	85,450	(34,500)	50,950
Total	**8,312,070**	**12,726,400**	**(3,987,465)**	**8,738,935**

Appendix B

Resources	Revised Budget 2020/21	Budget 2021/22		
		Gross Expenditure	Income	Net Expenditure
	£	£	£	£
Accountancy	446,350	526,490	(9,060)	517,430
Benefit Investigation	(12,290)	0	(12,290)	(12,290)
Communications - Phones	80,000	65,530	0	65,530
Computer Services	763,370	790,840	0	790,840
Corporate Management	116,390	129,390	0	129,390
Cost of Collection	(156,660)	245,620	(402,280)	(156,660)
Financial Services	0	0	0	0
Internal Drainage Boards	130,000	130,000	0	130,000
Printing Services	62,580	141,260	(75,200)	66,060
Procurement	25,000	25,000	0	25,000
Public Accountability - Resources	6,000	6,000	0	6,000
Reliefs & Benefits - Council Tax Benefit	74,140	67,800	0	67,800
Reliefs & Benefits - Housing Benefit	(402,290)	18,438,120	(18,835,410)	(397,290)
Revenue and Benefits	1,043,520	1,164,130	0	1,164,130
Risk Management/Insurance	0	0	0	0
Service Manager Finance and Welfare	112,340	114,770	0	114,770
Stationery	0	0	0	0
Support to Elected Bodies/Grant	140,300	140,300	0	140,300
Treasury Management	8,500	8,500	0	8,500
Unapportion Central Overheads	740,000	690,000	0	690,000
Total	**3,177,250**	**22,683,750**	**(19,334,240)**	**3,349,510**

Strategy and Planning	Revised Budget 2020/21	Budget 2021/22		
		Gross Expenditure	Income	Net Expenditure
	£	£	£	£
Building Control	48,290	56,540	0	56,540
Complaints, Compliance, Enforcement	111,200	115,000	0	115,000
Conservation & Preservation	11,200	11,200	0	11,200
General Planning Expenses	0	9,330	0	9,330
Land Charges	(99,010)	81,610	(180,000)	(98,390)
Local Development Framework	150,000	150,000	0	150,000
Planning Appeals	4,500	4,500	0	4,500
Planning Applications	196,880	933,370	(710,000)	223,370
Planning Business Support	220,300	246,850	(10,000)	236,850
Planning Dept E-Government	4,000	4,000	0	4,000
Planning Enquiries	(42,000)	13,200	(50,000)	(36,800)
Planning Policy	267,370	362,920	(40,000)	322,920
Service Manager Strategy and Planning	97,880	91,590	0	91,590
Total	**970,610**	**2,080,110**	**(990,000)**	**1,090,110**

Appendix C

Special Expenses 2021/22

	2020/21 £	2021/22 £
Bexhill		
Bexhill Parks	578,830	587,510
Bexhill Allotments	1,780	0
Christmas Lighting	15,000	15,000
Bexhill Museum	9,540	9,540
Bus Shelters	14,660	11,780
Bexhill Town Forum	4,270	4,270
Special Expenses for Bexhill	**624,080**	**628,100**
Rye		
Rye Parks and Games	60,200	61,100
Christmas Lighting	1,500	1,500
Rye Museum	640	640
Bus Shelters	340	270
Special Expenses for Rye	**62,680**	**63,510**
Total Special Expenses	**686,760**	**691,610**

Appendix D

Reserves	Quarter 2 2020/21 Forecast £ (000)	2021/22 Budget £ (000)	2022/23 Budget £ (000)	2023/24 Budget £ (000)	2024/25 Budget £ (000)	2025/26 Budget £ (000)
Earmarked Reserves and General Reserves	14,970	10,343	7,024	4,438	3,169	3,367
Use of Reserves	(4,627)	(3,319)	(2,585)	(1,270)	0	0
Contribution to Reserves	0	0	0	0	199	531
Total Reserves	**10,343**	**7,024**	**4,438**	**3,169**	**3,367**	**3,898**
Use of/Contribution to Reserves						
To fund Capital Expenditure	(1,839)	(619)	(378)	(188)	(187)	(130)
To balance the Revenue Budget	(2,788)	(2,700)	(2,207)	(1,082)	386	661
Total	**(4,627)**	**(3,319)**	**(2,585)**	**(1,270)**	**199**	**531**

OSC20/40. (5) **DRAFT REVENUE BUDGET 2021/22**

Members gave consideration to the report of the Assistant Director Resources 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 8 February 2021.

Appended to the report were details of the summary draft Revenue Budget (Appendix A), the summary information for each service area (Appendix B), main changes from the 2021/22 budget (Appendix C), the Council's revenue reserves and identified savings and additional income (Appendix D).

All budgets were shown as "Net Operational Expenditure Levels" which excluded capital charges, central costs and support service recharges. In addition, budgets were shown on a departmental basis which provided Members with a clear identifiable cost for each service.

The following key issues were highlighted:

- as the Council no longer received any Revenue Support Grant it was wholly reliant on revenue from business rates, council tax, specific grants, charges for services and income generation in meeting its net budget;
- the draft settlement announced by Government in December confirmed that the Council's share of business rates remained unchanged from 2020/21, a specific additional COVID-19 grant of £519,000 to support the ongoing effects of the pandemic in 2021/22 would be received and additional support to extend the extra support for residents through the Council Tax Reduction Support Scheme (CTRS) amounting to approximately £146,000;
- New Homes Bonus grant was expected to be £271,770 and would be incorporated into the draft budget to reduce the use of reserves, with no ongoing reliance;
- further work to refine the business rate estimate in time for the final approval of the Revenue Budget in February was on-going;
- the 2021/22 council tax base had been calculated at 37,606.6 and showed a reduction of 518 Band D equivalents, mostly due to an increase in the number of CTRS claimants expected in 2021/22 as a result of the pandemic; the in-year recovery rate for Council Tax had reduced to 98.2% from 98.5%, taking into account the increased risk of non-payment due to the effects of the pandemic on employment;
- the council tax referendum principle for Rother would allow an increase in council tax of £5 or 2% whichever was the highest; it had been assumed that the Council would increase Council Tax by the maximum allowed before a referendum was required;
- for 2021/22, to ensure the Council remained within the referendum limit, it was assumed that an increase of £4.94 to £189.04 would be

agreed for a Band D property, resulting in additional income of £90,000; and

- the Chartered Institute of Public Finance and Accountancy (CIPFA) considered an authority to be at high risk if the reserves were at less than 5% of net spend; the Council was a long way from this position.

The financial risks that may affect the Council's finances were highlighted within the report and these included homelessness demands, staffing costs, the impact of COVID-19 on the Council's commercial tenants, leisure, swimming centres, cultural services delivered through two charitable trusts (Freedom Leisure and the De La Warr Pavilion Trust) and the emerging new Corporate Plan, which aspired to accelerate the development of new housing in Rother, both market and affordable, deliver on the commitment to be a carbon neutral district by 2030 and regeneration of the local economy through investment.
The following assumptions had also been made in calculating the draft Revenue Budget:

a. inflation of up to 1.5% had been applied, except for contracts where specific indices were applied;
b. salaries had been assumed to increase by 2% from September 2021;
c. Appendix C to the report included details of any growth built into the base budget;
d. the use of transfers between existing budgets had been encouraged to help enable funding to be re-directed into priority areas; and
e. where the Council had discretion to increase income, increases should 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 £16.206m, an increase of £604,000 over the revised 2020/21 Revenue Budget. There had been a positive change of £1.6m between the financial forecast presented to Cabinet on the 2 November and the latest forecast, which was welcome.

The draft Revenue Budget for 2021/22 utilised £3.2m of reserves in order to meet specific costs (capital and service expenditure). Savings and increased income of £0.956m (excluding the reduction in use of revenue reserves to fund capital) had been assumed and if these were not delivered, further use of reserves may be required to balance the budget. Over the five-year financial forecast, earmarked reserves were predicted to fall to a minimum of £3.2m, rising to £3.8m by 2025/26, in excess of the minimum level of cash backed reserves and balances promoted by the Council's external auditors. However, it was below the minimum level previously agreed by Members at £5m and did not provide for any revenue reserves required to support the future Corporate Plan.

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

- concerns were raised that the homelessness budget had been underestimated when assuming an increase of £299k over the current year budget;

- there was a £3m scheme in the Capital Programme to purchase properties which would offset the cost of temporary accommodation, which explained the homelessness budget figure. Several properties had already been purchased;
- the 2% assumed salary increase was yet to be agreed. The Government had announced a pay freeze of public sector salaries for 2021/22, but the Council was not part of the national pay negotiations and could set its own pay award. Discussions with UNISON and the Licensing and General Purposes Committee would take place later in the year;
- applications for business grants were in the final stages of being processed and payments had commenced the previous week. All three grants were being combined into one payment;
- Members requested a breakdown of COVID related costs which the Finance Manager agreed to circulate after the meeting;
- the Community Led Housing project had been ceased as this had been a one-off payment paid over two years to kick-start the project; and
- it was noted that in the table at paragraph 17 on page 9 of the Agenda, the column 'Draft Budget 2021/22' for 'Other' should have read 62 not N/A.

In conclusion, it was noted that the Revenue 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 would work with officers to look at service budgets line by line to identify potential savings, some of which would be difficult to deliver.

RESOLVED: That the comments of the Overview and Scrutiny Committee be considered by Cabinet when setting the 2021/22 Draft Revenue Budget at its meeting on 8 February 2021.

Budget consultation report - Summary

1. This consultation ran from 30 November 2020 to 18 January 2021.

2. We had a total of 343 responses, of which 340 used the online questionnaire. We have responses from 10 named local organisation, including four town and parish councils.

3. In terms of residents' responses:

    a. 51% lived in Bexhill, 10% lived in Battle, 4% lived in Rye and 34% lived in a Rother village or the countryside.
    b. 49% were male and 48% were female, the remainder did not wish to answer or identified another way.
    c. 38% were aged 65 to 79 and this age group was over-represented. We had no under 18s respond. Only 7% of respondents were aged 18 to 34 and this age group was under-represented.
    d. 16% were disabled or had a long-term illness or condition
    e. 92% were White British descent, 5% had another White background and 2% had another background, mainly various mixed heritages.

Section One: Local Issues and Priorities

4. We asked respondents what is the most important issue facing Rother right now. Local organisations said:

    a. The pandemic, housing and homelessness and the environment and climate change. These three issues were selected by three organisations each.
    b. Economy, healthcare, individual's behaviour, social care provision, which were each selected by one organisation.

5. For the most important issue residents said, in order of frequency of selection, the top six selections only:

    a. Coronavirus and the pandemic
    b. Economy and economic situation
    c. Environment and climate change
    d. Social care provision and NHS and healthcare (equal fourth)
    e. Poverty and inequality.

6. We asked for the next three most important issues facing the area. Organisations gave these responses (most selected responses):

    a. Housing and poverty and inequality, selected by five local organisations
    b. Economy and education and schools, selected by four organisations
    c. Coronavirus and pandemics, the NHS and healthcare and aging population, selected by three local organisations.

7. We asked the most important factors that contribute to their quality of life. The top five response from residents were:
    a. Being healthy
    b. Being financially independent

c. Feeling safe
d. Having a nice place to live
e. Children having good opportunities to succeed.

8. When asked what is the single challenge or priority that residents were most concerned about (top six responses in order of most selected first):

    a. My physical health and fitness
    b. Anti-social behaviour in my community
    c. Climate change
    d. My mental health and wellbeing
    e. Local environment or pollution
    f. Housing affordability

9. When asked to select three further concerns that they are most concerned about residents responded (in order of most selected, top six selections):

    a. Local environment and pollution
    b. Anti-social behaviour in my community
    c. Cleanliness of street and local area
    d. My physical health and fitness
    e. Climate change
    f. Public transport

Section Two: Rother District Council Responses and Services

10. We asked how much respondents agreed or disagreed with actions the council could take when faced with financial pressure.

11. Organisations agreed the most with (top three in order of highest percentage that said agree or agree strongly):

    a. Streamlining services so that we can deliver the same outcomes
    b. Prioritising spending to protect services for the most vulnerable and those without choice
    c. Help people to help themselves more so they have less reliance on publicly funded services

12. Residents agreed the most with (top three in order of highest agreement):
    a. Prioritise spending to protect services for the most vulnerable
    b. Use or partner with other organisations to provide services
    c. Help people to help themselves more

13. We asked when the council should consider increases in Council Tax. Organisations and residents most supported the conditions (top three in order of most agreement):

    a. To protect services for the most vulnerable and those without choice
    b. Only when opportunities to streamline services have been exhausted
    c. When the alternative is to stop delivering some services

14. We asked which five of Rother District Council's should be top priority for 2021. Residents said (top 10 in order of most selected):
    a. Waste collection and recycling

b. Community safety
c. Attracting inward investment (businesses, jobs)
d. Economic regeneration
e. Covid-19 outbreak management
f. Homelessness services
g. Provision of social housing
h. Climate change and reducing carbon footprint
i. Aids and adaptations in homes to help residents stay at home

15. Local organisations said their top five are (in order of most selected, top 11 because last four were selected by same number of organisations):
    a. Waste collection and recycling
    b. Climate change and reducing carbon footprint
    c. Enforcement of planning regulations
    d. Provision of social housing
    e. Economic regeneration
    f. Investing in Rother's digital infrastructure
    g. Homelessness services
    h. Planning application process, development control
    i. Covid-19 outbreak management
    j. Attracting inward investment (businesses, jobs)

16. All except one organisation said that they would be affected by budget setting decisions by the council to some extent and 79% of residents felt they would be affected by any decisions.

17. We asked how well informed respondents felt about financial challenges facing councils. In total, 56% felt very or fairly well informed. However, 41% felt not very well informed or not informed at all.

18. We asked how interested respondents were to be better informed about the council's financial challenges. All the responding organisations had some interest in being better informed. For residents, 96% expressed an interest in being better informed with 26% being very interested and 47% being interested. 4.5% had little or no interest in being better informed.

19. We asked how respondents like to be informed and the most popular method for both local organisations and residents were as follows.

    a. My Alerts
    b. Going direct to the council's website
    c. Through the post (leaflets, letters)
    d. Social media
    e. Local newspapers

20. Further analysis and included comments are in the main report. All comments will be provided to Members.

Rother District Council

Report to:	Cabinet
Date:	8 February 2021
Title:	Treasury Management Strategy Statement and Annual Investment Strategy
Report of:	Finance Manager
Cabinet Member:	Councillor Dixon
Ward(s):	All
Purpose of Report:	To present the Treasury Management Strategy Statement and Annual Investment Strategy for approval
Decision Type:	Key
Officer Recommendation(s):	**Recommendation** to **COUNCIL:** That:

(1) the Treasury Management Strategy as set out at Appendix A be approved and adopted;
(2) the Annual Investment Strategy as set out at Appendix B be approved and adopted;
(3) the Minimum Revenue Provision Policy Statement 2021/22 be approved;
(4) the Prudential and Treasury Indicators as set out in Appendix A be approved; and
(5) authorised limits in this report be approved.

Reasons for Recommendations:	To agree the Treasury Management Strategy Statement and Annual Investment Strategy for approval

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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 2021/22

12. The 2021/22 draft Revenue Budget reported elsewhere on this Agenda assumes income of £326,000 from treasury activities. This assumes a return of 0.018% from deposit type investments and 4.08% return from property fund investments. The forecast for the next five years continues to see low returns, based on the forecast use of cash reserves to support the Revenue Budget.

Conclusion

13. The expectation is that 2021/22 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 2021/22 Revenue Budget. The costs of treasury operations are contained within the 2021/22 draft Revenue Budget reported elsewhere on this Agenda.

Other Implications	Applies?	Other Implications	Applies?
Human Rights	No	Equalities and Diversity	No
Crime and Disorder	No	Consultation	No
Environmental	No	Access to Information	No
Sustainability	No	Exempt from publication	No
Risk Management	No		

1.

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Report Contact Officer:	Anthony Baden, Finance Manager
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Appendices:	Appendix A - Treasury Management Strategy for 2021/22 Appendix B - Annual Investment Strategy
Relevant Previous Minutes:	None
Background Papers:	None
Reference Documents:	None

Treasury Management Strategy for 2021/22

1. The strategy for 2021/22 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. Due to the impact of the COVID–19 pandemic, training was deferred for Members during 2020/21. A simplified training event is being developed for Members for delivery after the May 2021 full Council meeting, where the membership of the Audit and Standards Committee for 2021/22 will be agreed. 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.

	2020/21 forecast	**2021/22 budget**	**2022/23 budget**	**2023/24 budget**	**2024/25 budget**	**2025/26 budget**
	£'000	**£'000**	£'000	£'000	£'000	£'000
General Fund Services	13,016	**42,195**	42,785	23,418	1,937	1,880
Regeneration Investments	13,044	**20,374**	27,598	403	0	0
TOTAL	**26,060**	**62,569**	**70,383**	**23,821**	**1,937**	**1,880**

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.

	2020/21 forecast	**2021/22 budget**	**2022/23 budget**	**2023/24 budget**	**2024/25 budget**	**2025/26 budget**
	£'000	**£'000**	£'000	£'000	£'000	£'000
External Sources	3,594	**12,993**	1,625	1,625	1,625	1,625
Own Resources	2,909	**812**	378	188	187	130
Borrowing	19,557	**23,764**	31,380	4,008	125	125
Unfunded	0	**25,000**	37,000	18,000	0	0
TOTAL	**26,060**	**62,569**	**70,383**	**23,821**	**1,937**	**1,880**

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:

	31.3.21 forecast	**31.3.22 budget**	**31.3.23 budget**	**31.3.24 budget**	**31.3.25 budget**	**31.3.26 budget**
	£'000	**£'000**	£'000	£'000	£'000	£'000
Opening Balance	15,788	**35,185**	58,436	88,979	91,792	90,715
General Fund Services#	7,067	**125**	125	125	125	125
Regen Investments	12,490	**23,639**	31,255	3,883	0	0
Less MRP	(160)	**(513)**	(837)	(1,196)	(1,202)	(1,157)
Closing Balance	**35,185**	**58,436**	**88,979**	**91,792**	**90,715**	**89,683**

#including adjustment "A" £1.091m

Movement in CFR

	31.3.21 forecast	**31.3.22 budget**	**31.3.23 budget**	**31.3.24 budget**	**31.3.25 budget**	**31.3.26 budget**
	£'000	£'000	£'000	£'000	£'000	£'000
Net financing need for the year (above)	19,557	23,764	31,380	4,008	125	125
Less MRP/VRP and other financing movements	(160)	(513)	(837)	(1,196)	(1,202)	(1,157)
Movement in CFR	**19,397**	**23,251**	**30,543**	**2,812**	**(1,077)**	**(1,032)**

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.

	2020/21 forecast	2021/22 budget	2022/23 budget	2023/24 budget	2024/25 budget	2025/26 budget
	£'000	**£'000**	£'000	£'000	£'000	£'000
Net Financing costs (£000)	226	**1,101**	1,747	2,061	1,964	1,901
Proportion of net revenue stream	1.60%	**8.34%**	14.74%	17.12%	15.99%	15.17%

18. The table shows that the proportion of the Council's net revenue stream (Council Tax, share of business rates and grants) at risk peaks at 17.12% in 2023/24, 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.

2020/21 forecast	2021/22 budget	2022/23 budget	2023/24 budget	2024/25 budget	2025/26 budget
£5.93	**£29.27**	£46.62	£54.80	£51.70	£49.56

Core Funds and Expected Investment Balances

20. The application of resources (capital receipts, reserves etc.) either to 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 and the current balance of funds as at 20 January 2021:

Year End Resources	2020/21 forecast	2021/22 budget	2022/23 budget	2023/24 budget	2024/25 budget	2025/26 budget
	£'000	**£'000**	£'000	£'000	£'000	£'000
Fund balances / reserves	10,343	**7,036**	4,463	3,207	3,419	3,963
Capital receipts	3,187	**3,387**	3,587	3,787	3,987	4,187
Provisions	1,105	**100**	40	40	40	40
Total core funds	**14,634**	**10,523**	**8,090**	**7,033**	**7,445**	**8,190**
Working capital	1,800	**1,800**	1,800	1,800	1,800	1,800
Expected investments	**16,434**	**12,323**	**9,890**	**8,833**	**9,245**	**9,990**

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

	Actual £'000 31.3.20	Actual % 31.3.20	Actual £'000 20.1.21	Actual % 20.1.21
Treasury investments	£	%	£	%
Lloyds - General	33,269,136	80.61	43,770,636	84.55
Bank of Scotland	11	0.00	11	0.00
Barclays - Call Account	1,066	0.00	1,066	0.00
Santander – 31 Day Notice Account	1,658	0.01	1,658	0.01
Total managed funds in house	**33,271,872**	**80.62**	**43,773,372**	**84.55**
Property Funds				
CCLA Local Authority	5,000,000	12.11	5,000,000	9.66
HERMES	2,999,998	7.27	2,999,998	5.79
Total managed externally	**7,999,998**	**19.38**	**7,999,998**	**15.45**
Total treasury investments	**41,271,869**	**100.00**	**51,773,369**	**100.00**

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 2020 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.

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.

	31.3.21 forecast	**31.3.22 budget**	**31.3.23 budget**	**31.3.24 budget**	**31.3.25 budget**	**31.3.26 budget**
	£'000	**£'000**	£'000	£'000	£'000	£'000
Gross Debt	31,083	**54,066**	78,641	75,826	69,429	68,556
Capital Financing Requirement	35,185	**58,436**	88,979	91,792	90,715	89,683

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

	31.3.21 forecast	**31.3.22 budget**	**31.3.23 budget**	**31.3.24 budget**	**31.3.25 budget**	**31.3.26 budget**
	£'000	**£'000**	£'000	£'000	£'000	£'000
External Debt for commercial activities / non-financial investments						
Actual debt at 31 March	23,155	**42,205**	63,715	62,638	61,712	60,844
Percentage of total external debt %	74.49	**78.06**	81.02	82.61	88.89	88.75

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 2021/22 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

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.

	2020/21 limit	2021/22 limit	2022/23 limit	2023/24 limit	2024/25 limit	2025/26 limit
	£'000	**£'000**	£'000	£'000	£'000	£'000
Operational Boundary - total external debt	**61,370**	**93,629**	**164,012**	**187,833**	**189,770**	**191,650**

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:

	2020/21 limit	2021/22 limit	2022/23 limit	2023/24 limit	2024/25 limit	2025/26 limit
	£'000	**£'000**	£'000	£'000	£'000	£'000
Authorised limit – total external debt	**66,370**	**98,629**	**169,012**	**192,833**	**194,770**	**196,650**

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 20 January 2021).

	2020/21	2021/22	2022/23	2023/24
	%	%	%	%
Bank Rate	0.10	0.10	0.10	0.10
3 Month LIBID	0.10	0.10	0.10	0.10
6 Month LIBID	0.10	0.10	0.10	0.10
12 Month LIBID	0.20	0.20	0.20	0.20
5 Year PWLB	0.80	0.90	0.90	1.00
10 Year PWLB	1.10	1.20	1.20	1.30
25 Year PWLB	1.50	1.60	1.70	1.80
50 Year PWLB	1.30	1.40	1.50	1.60

Investment and borrowing rates

34. Investment returns are likely to remain low during 2021/22 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 2021/22 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.

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 remain stable over the next few years and remain at 0.10% until 2023/34.

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:

    2020/21 - 0.10%
    2021/22 - 0.10%
    2022/23 - 0.10%
    2023/24 - 0.10%

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			
	2020/21	**2021/22**	**2022/23**
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. **Chief Executive 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 Chief Executive 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 and Chief Executive will take the best course of action to protect the value of the investment based on advice received from the Council's treasury advisors.

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; and
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following:
    - Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;
    - Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;
    - Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;
    - Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken; and
    - Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

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Rother District Council

Report to:	Cabinet
Date:	8 February 2021
Title:	Capital Strategy 2021/22 to 2025/26
Report of:	Finance Manager
Cabinet Member:	Councillor Dixon
Ward(s):	All
Purpose of Report:	To present the draft Capital Strategy and updated Capital Programme for approval
Decision Type:	Key
Officer Recommendation(s):	**Recommendation** to **COUNCIL**: That:

(1) the Draft Capital Strategy 2021/22 to 2025/26 be approved and adopted; and

(2) the updated Capital Programme 2020/21 to 2025/26 be approved.

Reasons for Recommendations: The Council is required to have an approved Capital Strategy which 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.

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 Chartered Institute of Public Finance and Accountancy (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 Corporate Plan which is currently out to consultation.

3. Members will see that the Capital Programme is now of a scale to deliver on the ambition set out in the draft Corporate Plan and make a significant contribution to the social and economic future of the district. Investment in new housing (both market and affordable) and a commitment through the Property Investment Strategy to the development of new and good quality commercial space aim to ensure that Rother remains an attractive placed to work and live.

4. The Strategy covers 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.

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

Revised lending criteria by Public Works Loans Board (PWLB)

6. From the 26 November 2020, the Government confirmed the introduction of new lending criteria from the PWLB designed to prevent Council's accessing low cost finance for investments made purely for financial return. This is a prospective change and doesn't affect any previous investment made by the Council prior to this date. A preliminary review of the draft Capital Programme indicates that all loan funded projects remain eligible for PWLB support, but further work is being undertaken to ensure this is the case. The guidance can be found at:

   https://www.dmo.gov.uk/media/17136/pwlb-guidance-for-applicants.pdf

Capital Programme

7. The Council's capital programme totals some £186.7m, although £80.0m is yet to have funding secured. A significant part of the programme relates to the Council's approved Property Investment Strategy (PIS) and capital support to the Council's company Alliance Homes (Rother) Ltd. To date, £16.0m has been expended or committed on eight properties/sites. Income of approximately £1m is included within 2021/22 revenue budget for PIS assets that have been acquired.

8. In response to the significant financial challenges the Council is managing, the draft Capital Programme continues to minimise the use of Revenue (including Revenue Reserves) to fund capital expenditure. For 2021/22, some £0.619m is planned to be used but this reduces thereafter. Largely this will be replaced by

low cost borrowing where appropriate which while having a revenue impact is spread over a longer time period.

9. 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 in total as that reported to Cabinet in November, save for the rephasing of expenditure in line with the latest information. The Programme now includes the cost of improvements being made to Sidley Recreation Ground, which are being funded externally in addition to the Council's own contribution to the scheme.

Environmental Implications

10. The environmental considerations of the projects within the Capital Programme will be assessed as part of the design, development and delivery of each project to ensure they align with the organisation's strategic objectives and policies. Relevant internal functions will be consulted on the proposals.

Conclusion

11. The draft Capital Programme shows that, despite the continued impact of the pandemic and Government austerity measures, the Council aims 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 in. 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.

Other Implications	Applies?	Other Implications	Applies?
Human Rights	No	Equalities and Diversity	No
Crime and Disorder	No	Consultation	No
Environmental	Yes	Access to Information	No
Sustainability	No	Exempt from publication	No
Risk Management	No		

1.

Assistant Director, Resources:	Robin Vennard
Report Contact Officer:	Tony Baden, Finance Manager
e-mail address:	Antony.baden@rother.gov.uk
Appendices:	Appendix A – Capital Strategy 2021/22 to 2025/26 Appendix B – Capital Programme 2020/21 to 2025/26
Relevant Previous Minutes:	None
Background Papers:	None
Reference Documents:	None

Capital Strategy 2021/22 to 2025/26

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 2021/22, the Council is planning capital expenditure of £62.6m, as summarised below:

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

	2020/21 forecast	**2021/22 budget**	**2022/23 budget**	**2023/24 budget**	**2024/25 budget**	**2025/26 budget**
General Fund Serv	13,016	42,195	42,785	23,418	1,937	1,880
Regen Investments	13,044	20,374	27,598	403	0	0
TOTAL	**26,060**	**62,569**	**70,383**	**23,821**	**1,937**	**1,880**

4. The main capital projects in 2021/22 include the Property Investment Strategy, £20.4m, Blackfriars housing development, £10.3m and support to Alliance Homes (currently unfunded), £25m.

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 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 or leasing for example). 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

	2020/21 Forecast	2021/22 budget	2022/23 budget	2023/24 budget	2024/25 budget	2025/26 budget
Own Resources	2,296	619	378	186	187	130
External Resources	4,207	13,186	1,625	1,625	1,625	1,625
Debt	19,557	23,764	31,380	4,010	125	125
Unfunded	0	25,000	37,000	18,000	0	0
TOTAL	**26,060**	**62,569**	**70,383**	**23,821**	**1,937**	**1,880**

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

	2020/21 Forecast	2021/22 budget	2022/23 budget	2023/24 budget	2024/25 budget	2025/26 budget
MRP & Capital Receipts	1,245	513	837	1,196	1,202	1,157

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 be £58,436,000 during 2021/22. 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

	31.3.21 forecast	31.3.22 budget	31.3.23 budget	31.3.24 budget	31.3.25 budget	31.3.26 budget
	£'000	£'000	£'000	£'000	£'000	£'000
Opening Balance	15,788	**35,185**	58,436	88,979	91,792	90,715
General Fund Services#	7,067	**125**	125	125	125	125
Regen Investments	12,490	**23,639**	31,255	3,883	0	0
Less MRP	(160)	**(513)**	(837)	(1,196)	(1,202)	(1,157)
Closing Balance	**35,185**	**58,436**	**88,979**	**91,792**	**90,715**	**89,683**

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. 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 usable 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. Repayments of capital grants, loans and investments also generate capital receipts. The Council has a number of small potential disposals in 2021/22. 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%).

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

	31.3.21 forecast	**31.3.22 budget**	**31.3.23 budget**	**31.3.24 budget**	**31.3.25 budget**	**31.3.26 budget**
Gross Debt	31,083	**54,066**	78,641	75,826	69,429	68,556
Capital Financing Requirement	35,185	**58,436**	88,979	91,792	90,715	89,683

14. Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from Table 5, 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

	2020/21 limit £'000	**2021/22 limit £'000**	**2022/23 limit £'000**	**2023/24 limit £'000**	**2024/25 limit £'000**	**2025/26 limit £'000**
Authorised limit – total external debt	66,370	**98,629**	169,012	192,833	194,770	196,650
Operational boundary – total external debt	61,370	**93,629**	164,012	187,833	189,770	191,650

16. Further details on the borrowing strategy is contained in the Councils 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 £17.9m as at 31 March 2020). 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 2019/20 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

	31.3.21 forecast	31.3.22 budget	31.3.23 budget	31.3.24 budget	31.3.25 budget	31.3.26 budget
Near-term investments	8,434	**4,323**	4,890	3,833	4,245	4,990
Longer-term investments	8,000	**8,000**	5,000	5,000	5,000	5,000
TOTAL	**16,434**	**12,323**	**9,890**	**8,833**	**9,245**	**9,990**

Note: Near term investments will be higher in year due to the level of cash resources held on behalf of third parties, e.g. council tax receipts

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 Chief Executive 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 (target 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. These risks are actively managed by the Council. It is important that commercial investments remain proportionate to the size of the authority 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 Chief Executive subject to the support of the Property Investment Panel. The Panel comprises five Members and four 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

	2020/21 Forecast	2021/22 budget	2022/23 budget	2023/24 budget	2024/25 budget	2025/26 budget
Net Financing costs (£000)	226	**1,101**	1,747	2,061	1,964	1,901
Proportion of net revenue stream	1.60%	**8.34%**	14.74%	17.12%	15.99%	15.17%

27. Further details on the revenue implications of capital expenditure are contained in the 2021/22 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 30 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 Chartered Institute of Public Finance and Accountancy, Association of Accounting Technicians, Royal Institution of Chartered Surveyors 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 Council's 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 2020/21 to 2025/26

Line		2020/21 Budget £ (000)	2021/22 Budget £ (000)	2022/23 Budget £ (000)	2023/24 Budget £ (000)	2024/25 Budget £ (000)	2025/26 Budget £ (000)	Total £ (000)
	Acquisitions, Transformation and Regeneration							
	Other Schemes							
1	Community Grants	130	130	130	130	130	130	**780**
2	Cemetery Entrance	233						**233**
3	Rother Transformation ICT Investment	384						**384**
4	Corporate Document Image Processing System	435						**435**
5	1066 Pathways	93						**93**
6	Ravenside Roundabout	200						**200**
	Property Investment Strategy							
7	PIS - Office Development NE Bexhill	10,611	15,737	19,496				**45,844**
8	PIS - Mount View Street Development	964						**964**
9	PIS - Beeching Road/Wainwright Road	100	900	2,000				**3,000**
10	PIS - Barnhorn Road	140	3,345	6,102	403			**9,990**
11	PIS - Beeching Road 18-40	554	392					**946**
12	PIS - 35 Beeching Road	675						**675**
	Housing Development Schemes							
13	Community Led Housing Schemes	297	303					**600**
14	Blackfriars Housing Development	975	10,350					**11,325**
15	Mount View Street Development - Housing	3,286	3,657	3,657	3,482			**14,082**
16	Alliance Homes (Rother) Ltd	0	25,000	37,000	18,000			**80,000**
17	Former Bexhill High School site - Housing							**0**
	Housing and Community Services							
18	De La Warr Pavilion - Capital Grant	54	54	55	56	57		**276**
19	Sidley Sports and Recreation	5	811					**816**
20	Land Swap re Former High School Site	1,085						**1,085**
21	Bexhill Leisure Centre - site development	203		193				**396**
22	Bexhill Leisure Centre - refurbishment	0	140					**140**
23	Disabled Facilities Grant	1,625	1,625	1,625	1,625	1,625	1,625	**9,750**
24	New bins	183	125	125	125	125	125	**808**
25	Bexhill Promenade - Outflow pipe	100						**100**
26	Bexhill Promenade - Protective Barriers	50						**50**
27	Fairlight Coastal Protection	0						**0**
28	Housing (purchases - temp accomodation)	3,000						**3,000**
	Strategy & Planning							
29	Highways Work - London Road - Bexhill	300						**300**
30	Grants to Parishes - CIL	163						**163**
	Executive Directors & Corporate Core							
31	Accommodation Strategy	75						**75**
	Resources							
32	ICT Infrastructure – Ongoing Upgrade Programme	140						**140**
	Total Capital Programme	**26,060**	**62,569**	**70,383**	**23,821**	**1,937**	**1,880**	**186,650**

Line		2020/21 Revised Budget £ (000)	2021/22 Budget £ (000)	2022/23 Budget £ (000)	2023/24 Budget £ (000)	2024/25 Budget £ (000)	2025/26 Budget £ (000)	Total £ (000)
	Funded By:							
33	Capital Receipts	1,085	0	0	0	0	0	**1,085**
34	Grants and contributions	3,594	12,993	1,625	1,625	1,625	1,625	**23,087**
35	CIL	613	193	0	0	0		**806**
36	Borrowing	19,557	23,764	31,380	4,010	125	125	**78,961**
37	Capital Expenditure Charged to Revenue	1,211	619	378	186	187	130	**2,711**
38	Unfunded	0	25,000	37,000	18,000			**80,000**
	Total Funding	**26,060**	**62,569**	**70,383**	**23,821**	**1,937**	**1,880**	**186,650**

Rother District Council

Report to:	Cabinet
Date:	8 February 2021
Title:	Development of a Local Lottery to support community funding
Report of:	Head of Service - Acquisitions, Transformation and Regeneration
Cabinet Member:	Cllr Susan Prochak
Ward(s):	All
Purpose of Report:	To consider the development of a local Lottery to support community funding
Decision Type:	Key

Officer Recommendation(s): **Recommendation to COUNCIL**: that:

1) a Rother Community Lottery is established.

AND

It be **RESOLVED**: That:

1) the income generated from the Rother Community Lottery central fund is apportioned to the Rother Community Grants Scheme; and

2) The Head of Service for Acquisitions, Transformation and Regeneration be delegated authority to:
   a. procure and appoint an External Lottery Manager to run the day-to-day operations of the lottery;
   b. develop and complete the works as set out in this report as necessary for the completion of establishing a Rother Community Lottery.

Reasons for Recommendations: To ensure the long-term sustainability of the Community Grants programme which is currently funded exclusively from reserves.

Introduction

1. Rother District Council has a strong track record of supporting local community and voluntary groups (VCS) to deliver voluntary services, projects and activities

in the community. The Rother Community Grants scheme (CGS) directly funds up to £130,000 per year.

2. A local lottery would support community projects in the district on the principle of raising money within the community for the community. A lottery could be an alternative income stream for VCS by directly benefitting from a percentage of lottery ticket sales when their cause is selected by lottery players, whilst at the same time supporting the CGS budget at a time of financial challenges.

Background

3. A lottery is a form of gambling that has three essential elements:
   a) Payment is required to participate
   b) One or more prizes are awarded
   c) These prizes are awarded by chance

4. Until a few years ago, local authorities had not promoted a lottery as a form of fundraising due to perceived risks to a council's reputation, contradictions with anti-poverty work, and concerns about the gambling aspects of such a service. However, there is now a clear precedent set for local authorities to get involved in this kind of activity, as long as the marketing material is clear that it is principally a fundraising platform for local good causes, the lottery is properly regulated, and supports the licensing objectives set out in the Gambling Act 2005.

5. Local authority lotteries are lotteries promoted by local authorities themselves. Authorities may use the net proceeds of such lotteries for any purpose for which they have power to incur expenditure.

6. Lotteries must return a minimum of 20% of the proceeds to the purpose of the society or local authority. The amount awarded to good causes and prize fund is dependent on the lottery model used. This can range from 20%-80% across both elements.

Lottery Delivery Options

7. There are two options for the delivery of a lottery scheme that have been considered:

   a) Establish an **in-house Lottery -** This would require creating several new posts, systems and processes and it is estimated that the cost to the Council would be in the region of £80,000 to £100,000 for set-up costs alone. This would include a lottery manager and the necessary development of software systems to enable the lottery to run. The financial risk, if the lottery were not successful, would be borne by the Council.

   b) Appoint an **External Lottery Manager (ELM) –**. This entails 'buying-in' the skills and expertise of an existing provider and passing the financial risk to that provider. The ELM would deliver all aspects of running the lottery, including ticket sales, revenue collection, prize management and licensing,

and share with RDC and the good causes, the responsibility for the launch and ongoing marketing.

8. The preferred option is to use an ELM as this mitigates the Council's financial risk.

Social Responsibility and Lottery Licence

9. Community lotteries are classed as low risk by the Gambling Commission with respect to the emergence of problem gambling; they are considered a form of 'incentivised giving'.

10. The lottery will help mitigate against many of the issues relating to addictive gambling by:
    a) Being only payable via pre-arranged sign up (not 'spur of the moment') and non-cash methods, as players must pay in advance.
    b) There is no 'instant gratification' or 'instant reward' to take part, due to the midnight deadline whilst the results are released the following day.
    c) Promotion of the lottery will be mainly via the good causes to their supporters.
    d) The lottery will be fully compliant with the Gambling Commission's licensing code of practice, which includes self-exclusion and links with support organisations.

11. All ELMs must hold a lottery manager's operating licence before they can manage a lottery on behalf of a local authority. This is in addition to the operating licence held by the local authority. It is important to note that whilst ELMs may run a lottery on behalf of the local authority, it is the responsibility of the local authority to ensure that the lottery is conducted in such a way as to ensure that it is lawful, and fully complies with the Act, all licence conditions and licensing codes of practice.

12. The Council, as licence holder, must take all reasonable steps to ensure that information about how to gamble responsibly and how to access information and help in respect of problem gambling is readily available.

13. The minimum age for participation in a local authority lottery is 16 years. A person commits an offence if they invite or allow a child (someone under 16) to enter such a lottery. The Council will ensure that appropriate written policies are in place to help prevent and deal with cases of under-age play. The ELM will require players to declare their age as 16 or over and undertake back office and random checks to verify dates of birth and ensure no under-age players. As part of the licensing objectives the Council are required to ensure that children and other vulnerable people are not harmed or exploited by the lottery.

14. A local authority is required to have at least one Personal Management Licence (PML) folder for the authority, even if the lottery is run by an ELM. It is recommended to appoint two responsible officers for the Gambling Commissions lottery licence.

Costs and Potential Income of a Rother Community Lottery

15. The expected set up cost is £10,000 to include, but not limited to, the appointment of an ELM, Gambling Commission Licence fee, Lotteries Council Membership and marketing costs. On-going costs can be expected to be approximately £1,200 pa plus an element for marketing. There is no annual cost for the ELM as this would be covered by the administration element on ticket sales.

16. It is expected most of the officer time would be upfront in the set-up of the lottery, this includes, but is not limited to:
    a) The procurement of an ELM to provide support to RDC, setup and to run the operation side of the lottery.
    b) Applications for the Gambling Commission licence to enable the lottery to operate.
    c) Applications for personal licences.
    d) Approval of policies and procedures associated with the lottery.
    e) Application for membership to the Lotteries Council.
    f) Agree the criteria for determining which good causes should participate in the Lottery aligned with the CGS.
    g) Promotion of the scheme.
    h) Engagement with internal stakeholders.
    i) Engagement with community and voluntary groups.

17. Dependant on the model once set up, the primary role of the Council will be to complete monitoring, codes of practice and social responsibility requirements by the Gambling Commission, authorisation of payments and acceptance of new community and voluntary groups to the scheme, and marketing and promotion of the scheme. From research, the officer time commitment estimation is one day a month.

18. Lottery income to the Council and community and voluntary groups and prize fund is dependent on the delivery lottery model chosen and lottery ticket sales. In addition, VAT from ticket sales can be claimed. Using insights of an ELM, first year sales can be between expected to be between 0.5% -1.5% of the 16+ population at 1.8 tickets bought a week. Using the same ELM lottery model as other East Sussex Local Authority schemes, the following projections can be made:

Ticket price £	% of pop	Number of players each week	ticket sales pa £	For VCS	For Rother CGS	Total for good causes	VAT to be used for ongoing/ CGS
1	0.5	408	£38,189	£13,366	£9,547	£22,913	£1,146
1	1	816	£76,378	£26,732	£19,095	£45,827	£2,291
1	1.5	1224	£114,566	£40,098	£28,640	£68,738	£3,437

*RDC estimated population 16+ = 81621

19. For comparison purposes, Eastbourne Borough Council has an estimated 16+ population of 85,812 and its lottery scheme has been established for two years raising on average £49,300 pa for total good causes.

20. Officers have completed an analysis to assess the position for implementing a Rother Community Lottery available at Appendix A.

Conclusion and Recommendations

21. Members are asked to consider the establishment of a Rother Community Lottery for the purpose of raising funds to support good causes, benefitting the residents of Rother.

22. A Rother Community Lottery will enable voluntary and community groups to access funding by contributing to the success of the lottery. It will also ensure that funding can be drawn into the support the Community Grants scheme which will replace a proportion of the Rother District Council 'earmarked reserves' currently used to support this scheme.

23. It is recommended that a Rother Community Lottery is established and that the Head of Service - Acquisitions, Transformation and Regeneration be granted delegated authority to agree the necessary contracts.

24. It is also recommended that the net income generated from a Rother Community Lottery central fund be apportioned to support the Rother Community Grants Scheme, offsetting contributions from reserves.

Financial Implications

25. There is a risk of the lottery not performing as well as expected and not producing the anticipated levels of income. Using an ELM mitigates this through passing on the financial risk.

Legal Implications

26. A lottery must be run under an operating licence issued by the Gambling Commission and on would need to comply with the specific licence conditions and relevant codes of practice and social responsibility matters.

Environmental Implications

27. There will be no paper ticket sales – the lottery would operate online only, minimising the environmental impact. The Community Grants support several environmental projects which contribute to the delivery of the Environment Strategy. Ensuring the long-term sustainability of this funding is beneficial for environmental causes. Local environment organisations who meet the scheme

criteria will be able to sign up to the scheme, benefitting directly from lottery ticket sales when their cause is chosen.

Other Risk Implications

28. There is a risk that the voluntary and community sector choose not to engage with the initiative.

Other Implications	Applies?	Other Implications	Applies?
Human Rights	No	Equalities and Diversity	No
Crime and Disorder	No	Consultation	No
Environmental	Yes	Access to Information	No
Sustainability	No	Exempt from publication	No
Risk Management	Yes		

Chief Executive:	Malcolm Johnston
Report Contact Officer:	Ben Hook
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Appendices:	A – Benefits Analysis
Relevant Previous Minutes:	n/a
Background Papers:	n/a
Reference Documents:	n/a

Appendix A

Benefit Analysis

Strengths • Potential additional unrestricted source of income and funding for VCS • Can apply at any time for the scheme, not restricted to rounds • Increase opportunities for funding/support to schemes which cannot be funding by existing CGS • Minimal set up costs, and self-financing, minimal financial risk • Precedent for Local Authorities to have a lottery scheme – over 80 have implemented • Local VCS fundraising in partnership with RDC • Recommended by other Local Authorities
Weaknesses • Rother has competing/ differing needs throughout the district • Limited monitoring the value of community projects completed funded through the scheme • Smaller groups may lose out because they do not have the capacity/skills to become part of the process
Opportunities • Additional volunteers may be recruited for community projects • May become aware of larger number of community groups • Positive PR opportunities – constant stream of winners and local VCS projects • RDC seen as an enabler to Communities • Raising profiles of VCS • Raising funds to support the Rother CGS funding levels • Delivery proceeds locally – communities raising money for the community
Threats • Lottery Fatigue – lottery ticket sales fall • Conflict with other local/national lottery schemes • VCS not engaging with the initiative. The lottery model will only work if VCS organisations register, as it is the VCS who will promote the lottery in partnership • Legal and licencing implications • Social responsibility • Council's reputation – gambling • Fails to generate enough funds to support the Rother CGS funding levels

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Rother District Council

Report to:	Cabinet
Date:	8 February 2021
Title:	Installation of a hybrid meeting system for the Council Chamber
Report of:	Head of Service – Acquisitions Transformation and Regeneration
Cabinet Member:	Councillor Oliver
Ward(s):	All
Purpose of Report:	To recommend that necessary technology be installed into the Council Chamber so that all Council Meetings can continue to be webcast and enabled for hybrid meetings should legislation permit
Decision Type:	Key
Officer Recommendation(s):	It be **RESOLVED:** That:

1) all Council Meetings continue to be webcasted once they resume being held in the Council Chamber;
2) video conferencing be integrated into the Council Chamber to allow for hybrid meetings (subject to the extension of applicable legislation);
3) a budget of £70,000 (to be allocated from earmarked reserves) be approved to procure the equipment and licencing for a three-year period; and
4) the Head of Service be granted delegated authority to enter into contracts as necessary for the completion of this project.

Introduction

1. Prior to March 2020, all Council and Committee meetings were held in the Council Chamber or Committee Room and all meeting participants and observers were required to attend in person. Audio recordings of each meeting were taken and uploaded to Rother's YouTube channel the following working day. Links to the recordings were also placed onto Rother's website where they remained available to listen to thereafter.

2. As part of its response to the COVID-19 pandemic, the government have temporarily removed the need for Council meetings to be held in person[1], as such all Council meetings have been held remotely using Microsoft Teams. The

[1] The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority Police and Crime Panel Meetings) (England and Wales) Regulations 2020 No.392

first meeting took place on the 18 May 2020 and since then, a full schedule of Council meetings have been held remotely using Microsoft Teams. The meetings are live streamed to Rother's YouTube channel and links to the recordings are placed onto Rother's website where they remain available to watch thereafter. This legislation is currently due to expire in May 2021.

3. Consideration must now be given to how Council meetings will be managed longer term, including continuation of the provision for members of the public to observe Council meetings online once they resume in the Council Chamber. Subject to the extension of the applicable legislation, this can be expanded further to allow for remote participation from Members, staff and members of the public entitled to speak.

Analysis / Details of the proposals

4. In 2018, Rother purchased microphones and an AV system for its Council Chamber. The proposal is to now expand on the investment in this equipment by purchasing hardware, software and support that meets the following needs:

    - Cameras so that video of meetings held in the Council Chamber can be captured in addition to audio.
    - Webcasting encoder so that meetings held in the Council Chamber can be streamed live.
    - Ability to integrate video Conferencing for 'hybrid meetings'.
    - Servicing and maintenance agreement on the new equipment.
    - Streaming licence, 120 hours of webcasting per year and storage of each meeting for 12 months.
    - Integration with Modern.Gov to minimise the administrative burden on organising Council meetings.
    - Support, training and upgrades.

5. A three-year contract is proposed in the first instance and will require a budget of £70,000 to meet equipment and licencing costs for this period. This cost will be met through earmarked reserves

6. These services will ensure residents of Rother will continue to be afforded real-time access to Council meetings without having to travel into the Town Hall. As the pandemic continues, this will help Rother adhere to any and all social distancing regulations by limiting the number of people present in the Council Chamber. It will also deliver on a key objective within the Council's emerging Corporate plan:

    "To improve access to Council meetings, open the Council to the public ensuring increased transparency, meaningful consultation and better visibility by end 2023."

7. During the pandemic there have been significantly higher viewing figures of Council meetings, suggesting that the public and staff have been more engaged

finding it more attractive to watch video of meetings than listen to audio. (Appendix A)

8. If legislation to permit remote participation at Council meetings is extended or granted in perpetuity, video conferencing can also be integrated into the Council Chamber. This will create opportunities for 'hybrid meetings' with some Members, staff and public speakers attending in person, and others attending remotely.

Options

9. The Transformation Team have assessed whether they can develop this functionality in house. This is unfortunately not practicable and therefore an external supplier would be required.

10. Should the Council choose not to progress with the introduction of a new system, then live broadcasting and video recording will cease once meetings return to a physical, rather than fully virtual, setting.

Conclusion

11. Delivery of this system provides the greatest opportunity to deliver transparency and accessibility in relation to the observing of Council Committee meetings. If legislation permitting remote participation at Council meetings is extended or granted in perpetuity, then this system will allow for hybrid meetings and offers Members, staff and other participants the option to participate in meetings either in person or remotely.

12. Cabinet is recommended to consider the implications, impacts and benefits of such a system and approve the necessary budgets to complete the project.

Financial Implications

13. Should we look to continue delivering this service in the longer term, a continued licensing and maintenance cost will be incurred.

Human Resources Implications

14. Operating this system will likely mean that additional staff will be required to facilitate committee meetings, which my lead to a change in working hours or duties for some members of staff.

Environmental

15. Offering opportunities for residents and Members to watch and participate in meetings online negates journeys to the Town Hall and reduces travel across the district. This contributes to our commitment to achieve carbon neutrality by 2030.

Equalities and Diversity

16. Improves equality of access by catering to a wider range of needs and preferences for viewing Council Meetings.

Other Implications	Applies?	Other Implications	Applies?
Human Rights	Yes/No	Equalities and Diversity	Yes
Crime and Disorder	Yes/No	Consultation	Yes/No
Environmental	Yes	Access to Information	Yes/No
Sustainability	Yes/No	Exempt from publication	Yes/No
Risk Management	Yes/No		

Chief Executive:	Malcolm Johnston
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Appendices:	A Viewing figures for RDC committee meetings
Relevant Previous Minutes:	N/A
Background Papers:	N/A
Reference Documents:	N/A

Appendix A

YouTube data as of 30 November 2020

This table shows the number of views received by our three most popular live streams/video recordings of Council Meetings versus the number of views of our three most popular audio-only recordings (if available). In addition, we have increased our number of YouTube subscribers from 14 to 83.

Meeting	Views of most popular video meeting	Views of second most popular video meeting	Views of third most popular video meeting	Views of most popular audio only recording	Views of second most popular audio only recording	View of third most popular audio only recording
Anti-Poverty Task Force	39 (18/08/2020)	N/A (New meeting)	N/A (New meeting)	N/A (New meeting)	N/A (New meeting)	N/A (New meeting)
Audit and Standards	164 (18/05/2020	56 (22/06/2020)	40 (29/07/2020)	Audio recording not made	Audio recording not made	Audio recording not made
Cabinet	303 (07/09/2020)	188 (08/06/2020)	117 (02/11/2020)	39 (11/02/2020)	20 (11/03/2020)	19 (14/04/2020)
Climate Change Steering Group	38 (02/07/2020)	29 (25/11/2020)	N/A (New meeting)	N/A (New meeting)	N/A (New meeting)	N/A (New meeting)
Community Governance Review Steering Group	195 (29/05/2020)	51 (24/11/2020)	No data available (not yet held)	135 (24/02/2017	51 (10/11/2017)	29 10/08/2020)
Community Infrastructure Levy	66 (24/07/2020)	44 (05/10/2020)	N/A (New meeting)	N/A (New meeting)	N/A (New meeting)	N/A (New meeting)
Full Council	350 (21/09/2020)	114 (01/06/2020)	93 (06/07/2020)	75 (18/12/2017)	18 (26/02/2020)	10 (13/07/2017)
Joint Waste and Recycling	53 (03/07/2020)	41 (23/10/2020)	N/A (New meeting)	N/A (New meeting)	N/A (New meeting)	N/A (New meeting)
Licensing and General Purposes	125 (13/11/2020	117 (03/09/2020)	110 (21/08/2020)	8 (04/02/2020)	7 (11/03/2020)	3 (30/01/2020)
Planning Committee	261 (13/08/2020)	227 (28/05/2020)	205 (16/07/2020)	71 (16/03/2020)	38 (15/11/2019)	34 (18/12/2019)
Overview and Scrutiny	67 (15/06/2020)	67 (14/09/2020	64 (23/11/2020)	29 (29/11/2017)	9 (27/02/2020)	Audio recording not made

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Rother District Council

Report to:	Cabinet
Date:	8 February 2021
Title:	Town Hall redevelopment proposals
Report of:	Head of Service Acquisitions, Transformation and Regeneration
Cabinet Member:	Cllr Doug Oliver
Ward(s):	All
Purpose of Report:	To present the outline business case for the redevelopment of the Town Hall site, with a view to gain approval for progress to detailed design and a full planning application submission with allocation of appropriate funds.
Decision Type:	Key
Officer Recommendation(s):	**Recommendation to COUNCIL:** That:

1) this scheme be included on to the Council's Capital Programme and a budget of £460,000 be agreed to progress detailed designs for the future of the Town Hall, Bexhill site;

AND

It be **RESOLVED:** That:

2) the Head of Service - Acquisitions, Transformation and Regeneration be granted delegated authority to procure the services required, and enter into contracts as necessary, for the completion of detailed designs.

Reasons for Recommendations:	To ensure that the authority's main administrative building support the aims of the Council's carbon neutral pledge, to improve the working environment creating healthy and flexible workspace, community service presence remains in the town centre meeting residents' needs and supporting the local economy, and the future of this landmark building is preserved for future generations.

Introduction

1. In February 2019, Cabinet approved a budget of £250,000 for the development of housing projects on Council-owned sites (CB18/73 refers). The land to the rear of

the Town Hall was identified as one of those sites to be explored. Following the change in administration in May 2019, it was made clear to officers that options for the future of the Town Hall were also to be considered. Subsequent discussions with the Leader have reinforced that position and therefore investigations into the rear of the site have incorporated the Town Hall and ancillary buildings.

The site and Town Hall

2. For the purposes of these recommendations the Town Hall complex comprises the Town Hall, including all extensions, the Amherst Road building, the property leased to Autolec Motor Factors and all associated access and parking. A location map with indicative boundary, site description and existing buildings analysis is attached at Appendix A.

3. The main core of the Town Hall building is over 120 years old. The costs involved with heating the premises are particularly high as the overall heating system is outdated. Whilst some investment has taken place in recent years for the purposes of meeting statutory safety requirements, the building is in need of modernisation and refurbishment. A new heating system and full-scale rewiring will likely be needed in the next 10 years, along with a significant amount of preventative maintenance to keep the building from deteriorating further.

Options

4. The existing Town Hall is clearly an asset of historical significance for Bexhill and therefore all scenarios explored sought to retain and refurbish the core elements of the existing property. It is also clear that the carbon performance of the existing buildings is very poor and needs to be a consideration for any works that we seek to undertake.

5. A full options analysis has been undertaken at Appendix B but the headline options for the site are:

    1. Basic health and safety remedial measures (do minimum)
    2. Basic remedial work plus light touch energy measures
    3. Major refurbishment
    4. Whole site development
    5. Move RDC from Town Hall site

6. Option 4 presents the opportunity for the works to be cost neutral in the longer-term, will regenerate a central area of Bexhill, and will provide Rother District Council and other public sector organisations a fit for purpose, modern working environment into the future.

7. ESCC is also consulting on plans that could be transformational for the Town Hall Square. Supported by the Council, ESCC has developed plans that could see the creation of a green plaza at the front of the Town Hall. These plans are subject to consultation but have already been funded to £1.3m through a combination of Local Growth Fund and Community Infrastructure Levy monies. These two

schemes would be complementary and therefore the proposals made would incorporate the ESCC work.

Whole site development

8. A design team was appointed to undertake a high-level concept feasibility options study for the whole site development, with an initial view to delivering housing on the site. This feasibility study showed that, with the right mix of housing and commercial space, it is possible to deliver a scheme that is revenue neutral, in that the income earned through rent and capital receipts could offset the cost of borrowing for the scheme.

9. Following some initial advice from colleagues in planning it is clear that, whilst the principle of development on this site is not an issue, respect for its heritage value and the relationship with the surrounding area are key considerations of any final design.

10. Any Council-led redevelopment of this site will seek to incorporate the following criteria:

    1. Retention of the main Town Hall building (including Chamber and East Wing).
    2. ENERPHIT refurbishment of retained building.
    3. BREEAM Excellent standard for any new buildings.
    4. Commercial business case to demonstrate revenue neutrality.
    5. Delivers housing on the site.

Council office accommodation requirements

11. The current building does not offer the attractive modern working environment expected by many employees. This can cause issues with recruitment and retention as well as overall staff wellbeing.

12. In May 2020 a staff survey was carried out to understand how officers are likely to wish to work in the future given the precedent that has been set by the organisation's response to flexible and home working during the COVID-19 pandemic. The results of this survey showed that, whilst the staff have adapted well to home working, most would anticipate still working in an office environment between one and three days a week 'Post COVID'.

13. Based on this, it is estimated that RDC will have an ongoing space requirement to accommodate 120 full time equivalents. After deducting shared common areas, meeting rooms and toilet facilities (which will be distributed amongst all tenants) 800-1,000sqm for desk space alone should be sufficient in an open and flexible modern office environment

14. Discussions have also been had with a number of other public sector bodies such as East Sussex County Council, East Sussex Healthcare Trust, the Clinical

Commissioning Group, and the Police, all of whom potentially require workspace for non-clinical/operational staff.

Conclusion

15. Based on the initial feasibility study a whole site redevelopment, maximising commercial office space, will provide several benefits:

    1. Meeting environmental targets to contribute to Rother's climate emergency action plan.
    2. Provide civic space for local organisations in a central location convenient for the community.
    3. Provide modern, fit for purpose and financially viable new office space for Rother officers and other public services (DWP, ESCC, NHS etc.).
    4. Flexible office space to enable adaption as working practices change and evolve 'Post-COVID'.
    5. Provide up to 14 town centre flats, supporting the housing supply targets.

16. Next steps will be to appoint the relevant architects, engineers, consultants, surveyors and other professionals to work up detailed proposals and achieve planning permission on the site.

17. Professional fees to RIBA stage 3 (issuing of planning permission) are generally based on a percentage of the likely estimated scheme construction cost along with the relevant planning fees. Taking the most feasible high-level concept option estimated at £13,737,000, and using the currently published planning fee guidance, the likely cost of achieving planning permission on this scheme will be £460,000. This will cover the appointment to RIBA stage 3 of:

    1. Employers Agent services incorporating principal designer (CDM), contract administrator, quantity surveyor/cost consultant (this appointment would be phased to ensure that subject to approvals, the EA would be retained to oversee completion of the scheme).
    2. Architectural design team including sub-consultants for civil, structural and MEP engineers, energy and sustainability, planning agent and landscape consultant.
    3. Surveys such as ecology, fire, acoustics, UXO, heritage and any other survey deemed necessary to support a valid full planning application.
    4. Planning fees, including pre-application advice.

18. Following this, a full development options report will be brought forward at a future meeting for consideration by Cabinet.

Implications

Financial Implications

19. Revenue costs approved to procure and appoint all relevant professionals to deliver the details designs and prepare a planning application may be abortive

should the project not be approved to progression at the next stage, or the planning application refused.

Legal Implications

20. Legal services and East Sussex Procurement Hub will be required to provide resource to support the preparation, issuing, evaluation and contract execution for any professional service required to deliver the actions set out in this report. There will also be a requirement to review the existing lease arrangements with existing tenants should the project progress to delivery.

Human Resources Implications

21. HR, facilities and building management would be key stakeholders in the detailed design process. Therefore, there is a resource implication in terms of providing input to stakeholder workshops and provide comments on suitability of designs for future staff and building management and operations.

Environmental

22. One of the main drivers of the redevelopment proposals for the Town Hall and associated buildings is to enable the organisation to meet its own carbon neutrality targets. Failure to address the environmental impact of the Town Hall, being the largest administrative building for the organisation, would likely lead to inability to meet these targets.

Sustainability

23. As with the environmental impact, this project is aimed with ensuring the Council's main administrative building can operate sustainably into the future whilst being able to adapt to new ways of working.

Risk Management

24. A full project risk register will be developed, however the main risks for this development phase include:

    1. Resource/capacity of internal stakeholders and support services (legal, ESPH, communications etc.). This will be mitigated through production of a clear programme and resource requirement schedule to ensure stakeholders are aware of when input will be needed.

    2. Costs of professional services higher than anticipated. This will be mitigated through a robust procurement process that considered quality and cost to ensure the best value for money.

    3. Failure to agree on suitable proposals to meet various stakeholder demands. This will be mitigated through the workshops to identify requirements which can be prioritised through the MoSCoW principle:

a. M: Must have: to be safe, legal and fit for purpose
b. S: Should have: to ensure the aims and outcomes are met
c. C: Could have: to bring about added benefit if budget/scope allows
d. W: Won't have: to clearly identify what is not in scope at this time

Equalities and Diversity

25. Equalities Impact Assessments will be carried out as part of this project to understand how the building needs to accommodate the needs of all users in line with statutory requirements, promoting inclusivity, diversity and wellbeing.

Consultation

26. There is a need to consult with existing and potential building users as part of the detailed design development. This will require careful and appropriate management which will require input from the Council's consultation team with support from the communications service provided by East Sussex County Council.

Other Implications	Applies?	Other Implications	Applies?
Human Rights	~~Yes~~/No	Equalities and Diversity	Yes/~~No~~
Crime and Disorder	~~Yes~~/No	Consultation	Yes/~~No~~
Environmental	Yes/~~No~~	Access to Information	~~Yes/~~No
Sustainability	Yes/~~No~~	Exempt from publication	~~Yes/~~No
Risk Management	Yes/~~No~~		

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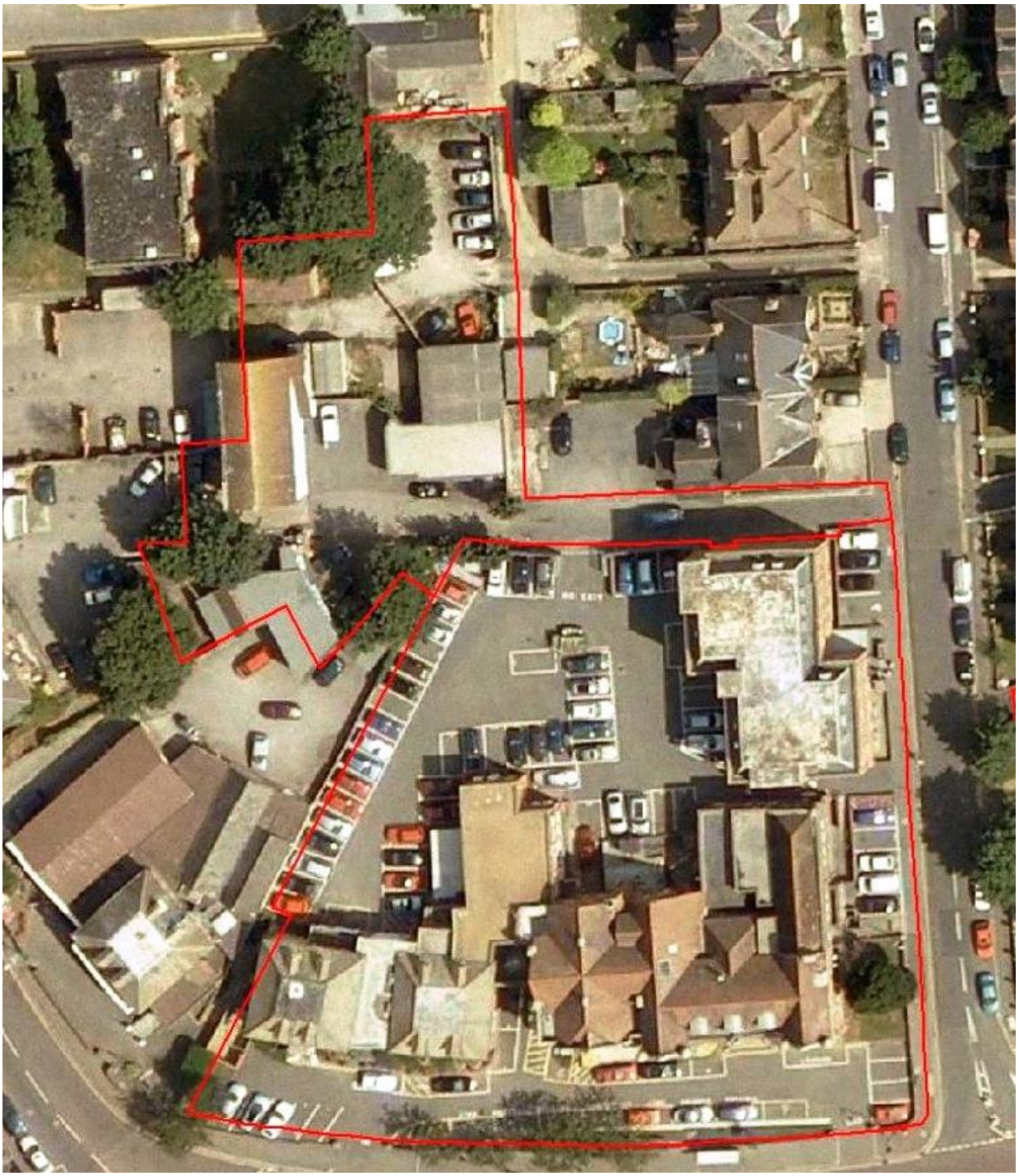
Appendices:	A Site layout and description B Options analysis
Relevant Previous Minutes:	CB.18/73: February 2019
Background Papers:	None
Reference Documents:	N/A.

Appendix A

Site location map with indicative boundary



Site description

The Town Hall complex comprises the Town Hall, including all extensions, the Amherst Road building, the property leased to Autolec Motor Factors and all associated access and parking. There is an opportunity to review how this site could be developed to support regeneration, environmental, and potentially housing, objectives.

The main Town Hall is mostly three storeys with south facing frontage, although several single and double storey extensions have been added over the years. The Amherst Road building is 4 storeys with a mansard roof and solar panels installed. Autolec is two storeys.

There is access and parking to the front for a small number of cars (20), with the main rear car park for 50 cars being accessed from Amherst Road. This rear access is shared with Autolec Motor Factors and the adults' day care centre adjacent to the Amherst Road building.

The Town Hall car park is exited via a narrow drive between the main building and the Amherst Road building. An overflow car park is situated to the north of the site, providing parking for around 15 cars. Its surface is unmade, and it shares access with residential units.

None of the buildings in the boundary are listed and the site does not fall within the conservation zone. However, it is acknowledged that the original main core of the Town Hall building is of local heritage significance and valued by the community.

The site sits within policy BEX12 of the Development and Site Allocations (DaSA) Local Plan. London Road and Town Hall square are earmarked for public realm and traffic movement improvements with plans being developed by East Sussex County Council (ESCC).

Existing buildings analysis

	Town Hall		Amherst Road		Autolec Motor Factors	
Year built	1894 (core)		1989		1909	
GIFA	2,412m^2		1171m^2		N/A	
EPC rating	E		D		No assessment available	
Solar energy	No		Yes		No	
No of RDC desks/seats	127		80		N/A	
No of formal meeting rooms	4		0		N/A	
Electric kWh / annual cost 2019	300,000	£53,397	82,123	£12,810	N/A	N/A
Gas units / annual cost 2019	17,600	£6,518	8041	£3,593	N/A	N/A
Water units / annual cost 2019	1140	£2,153	468	£684	N/A	N/A
Sewage units/annual cost 2019	2000	£3,263	383	£975	N/A	N/A
Total utilities annual cost 2019	**£65,331**		**£18,062**		N/A	
Repairs cost 2019	£44,418.70		£20,071.56		£N/A	
Additional information	Informal meeting rooms: Leaders Room plus interview rooms 2018/19 repairs £43k,		EPC rating of D prior to Photovoltaics – not reassessed since. RDC floors 2&3 G/F let to DWP 3rd floor let to ESCC + NHS – costs are recovered alongside rental income 2018/19 repairs £30k		Let to Alliance Automotive UK LV LIMITED 3-year lease term commenced on 31 March 2014 up until and including 28 February 2017. No repair/maintenance costs. £15,500 annual income	

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Options analysis

Option	Benefits	Implications
1. Basic H&S works	▪ Minimal disruption to staff and Members ▪ Maintain presence in central location	▪ Capital expenditure required, and likely to be ongoing ▪ Continued high running costs ▪ Continued high maintenance costs ▪ Lack of compliance with changing working practices standards ▪ Significant future capital costs for repair ▪ Poor working environment ▪ Prevents achievement of carbon neutrality by 2030 ▪ Failure to comply with national climate change policies and targets
2. Basic remedial work & light touch energy measures	▪ Reduction in energy consumption ▪ Reduction in heating and lighting costs ▪ Reduction in repairs and maintenance costs ▪ Minimal disruption to staff and Members ▪ Maintain presence in central location	▪ Significant costs for replacing heating and lighting systems, and other energy reduction measures ▪ Poor working environment ▪ Lack of compliance with changing working practices standards ▪ Not fully carbon neutral by 2030 ▪ Only partial compliance with national climate change policies and targets
3. Major refurbishment	▪ Significant contribution to meeting carbon neutral targets ▪ Significant reduction in heating and lighting costs ▪ Significant reduction in repairs and maintenance costs ▪ Compliance with changing working practices standards ▪ Improved working environment	▪ Major capital expenditure ▪ Disruption to staff whilst work ongoing ▪ Carbon neutral not fully achievable

Option	Benefits	Implications
	▪ Maintain presence in central location	
4. Whole site development	▪ Potential to fully meet carbon neutral targets ▪ Significant reduction in heating and lighting costs ▪ Significant reduction in repairs and maintenance costs ▪ Compliance with changing working practices standards ▪ Improved working environment; attractive to potential future employees ▪ Increase housing supply ▪ Increase office space (co-location opportunities) ▪ Revenue (rental) and capital income (housing receipt) ▪ Maintain presence in central location	▪ Major capital expenditure ▪ Disruption to staff whilst work ongoing
5. Move RDC from Town Hall complex	▪ If new build, could be carbon neutral ▪ No disruption to staff whilst build taking place ▪ Significant reduction in heating and lighting costs ▪ Significant reduction in repairs and maintenance costs ▪ Compliance with changing working practices standards ▪ Improved working environment; attractive to potential future employees ▪ Capital receipt from residential development of Town Hall land ▪ Increased rental income from Amherst Road	▪ Major capital expenditure ▪ Likely to not be in walking distance from train station (increased car usage) ▪ No RDC presence in central location

- Option 1, delivering basic health & safety requirements, carries the fewest benefits and the most implications.
- This high-level analysis demonstrates that Option 4: whole site development, carries the most benefits and fewest implications.
- The whole site development could realistically be approached in two ways, both of which have been explored by officers and appointed consultants: Concept A, maximising residential provision, or Concept B, maximising commercial office space.

Rother District Council

Report to:	Cabinet
Date:	8 February 2021
Title:	Introduction of fees for tennis court bookings at Egerton Park
Report of:	Head of Service Housing and Community
Cabinet Member:	Councillor Brewerton
Ward(s):	Central Ward, Bexhill
Purpose of Report:	To agree the introduction of fees for tennis court bookings at Egerton Park
Decision Type:	Key
Officer Recommendation(s):	It be **RESOLVED:** That:

1) the existing tennis court booking system at Egerton Park be extended to cover all of the public courts at this venue, including the football kickabout court; and

2) for booked courts, a charge be introduced of £1.50 per half hour of play to support the on-going maintenance of the courts and potentially contribute to future renovations.

Reasons for Recommendations:	To improve the customer experience and ensure opportunities to meet the cost to the Council of managing the asset are maximised through the income generated.

Introduction

1. Egerton Park has eight courts, seven of which are used for tennis with one doubling up as a pickleball court. The eighth court is used for informal football kickabouts. Two of the courts are leased to Bexhill Tennis Club and the remainder are available for wider public use.

2. The health and social benefits of participation in sport, including tennis, are well documented. The value of the Egerton Park courts and the potential for increasing participation was clearly highlighted following the easing of the COVID-19 lockdown restrictions in the early summer and the subsequent swell of use which was much greater than has been seen for some years.

Operational challenges

3. Systems of booking and charging have been in place at various times in the past, this being most effective when an attendant was employed specifically to oversee the operation of the park games.

4. Since 2017 the courts have been available to use free of charge on a first-come, first-served basis, but this leaves customers with no guarantee of being able to play when they wish. In addition, the cost to the Council of maintaining and managing the courts is not met. Furthermore, the current arrangement means a lack of data to evidence the community value of the courts or inform decisions about future sports development initiatives, funding applications, investment or alternative uses of the courts.

5. A more user-friendly system is needed that will help facilitate greater use of the courts and at the same time generate a modest income to contribute to the upkeep of the courts, without creating undue barriers to levels of participation.

2020 Clubspark trial

6. Clubspark is a simple to use, mobile-friendly on-line system promoted by the Lawn Tennis Association (LTA) which enables advance bookings to be made with times, conditions and prices to suit the client's needs.

7. Over the summer, the system was trialled successfully for two of the tennis courts. Courts were available to book free of charge from the end of July and the LTA waived its fee. Up to mid-October, 720 bookings of thirty minutes to two hours duration were made by 157 different registered users with only one customer formally submitting any negative feedback during that period on a matter that has subsequently been resolved.

Proposal

8. It is proposed that from 1 April 2021 the booking system be extended to all of the other public courts for a trial period of six months and that a fee of £1.50 be payable per court, per half an hour of play for those people who choose to use the system.

9. The income generated will be used to cover the cost of the Clubspark system and offset routine maintenance costs, the value of which are approximately £360 and £9,500 per annum respectively.

10. The fee will be seasonal with the courts being free to use during the period November to March inclusive. Those who choose not to take up the opportunity to book will continue to be able to use the courts for free at times when the courts are not booked.

11. It is estimated that the proposed fee of £1.50 will generate an income per annuum of £13,088 based on the percentage uptake experienced during the 2020 trial period. Projected income has been calculated for the tennis courts only and based on the assumption that the majority of bookings would be for a duration of one hour.

12. For comparison locally, the fee imposed in Eastbourne is £6-£8 per hour for an automated gated system and Mid Sussex charges £6.55 per hour for a non-automated gate system with discounts for certain groups.

13. It is not recommended that a season ticket be offered at this time as this may adversely affect membership of Bexhill Tennis Club.

Conclusion

14. The ability to book enables participants to plan their visit and arrive in the knowledge that a court will be available. Furthermore, it helps avoid the congregation of people waiting to use the courts thereby promoting COVID19 safe use.

15. A fee will help minimise the incidences of people not turning up to play despite having made a booking or booking for longer than is needed.

16. The system also provides a valuable opportunity to formalise use of courts by tennis coaches who use the public courts free of charge to generate income. Clubspark can be used as a safe-guarding tool to ensure that only qualified, accredited coaches have authorised use, to introduce a maximum number of permitted hours and to impose a higher fee on coaches than for other users.

17. The system will allow the introduction of a modest charge of £1.50 per court, per half an hour to ensure that a financial contribution towards the cost to the Council of operating and maintaining the courts.

Financial implications

18. There is currently no income being generated through use of the pubic courts. Depending on the level up uptake, the introduction of a modest charge could contribute significantly to offsetting the routine maintenance cost, potentially resulting in it being cost-neutral.

Legal implications

19. Extending the booking system will assist with issues of safe-guarding, liability and risk management in relation to use of the courts by tennis coaches.

Other Implications	Applies?	Other Implications	Applies?
Human Rights	No	Equalities and Diversity	No
Crime and Disorder	No	External Consultation	No
Environmental	No	Access to Information	No
Sustainability	Yes	Exempt from publication	No
Risk Management	No		

Chief Executive:	Malcolm Johnston
Report Contact Officer:	Joe Powell
e-mail address:	joe.powell@rother.gov.uk
Appendices:	N/A
Relevant Previous Minutes:	N/A
Background Papers:	N/A
Reference Documents:	N/A

Rother District Council

Report to:	Cabinet
Date:	8 February 2021
Title:	Egerton Park leased tennis courts: disposal of public open space
Report of:	Head of Service Housing and Community
Cabinet Member:	Councillor Brewerton
Ward(s):	Central Ward, Bexhill
Purpose of Report:	To dispose of two tennis courts and associated clubhouse and terrace as public open space, as required under the Local Government Act 1972 and lease the courts to Bexhill Tennis Club.
Decision Type:	Key
Officer Recommendation(s):	It be **RESOLVED:** That:

1) by virtue of Section 123(2A) of the Local Government Act 1972 (as amended), the Council gives formal notice of its intention to dispose of two tennis courts (3 and 5), clubhouse and terrace area at Egerton Park as public open space;

2) subject to the above, a new lease of three years term be granted to Bexhill Tennis Club with terms and conditions to the satisfaction of the Chief Executive.

Reasons for Recommendations: To support Bexhill Tennis Club to sustain their current membership in addition to maintaining the associated physical and mental health benefits of the sport for the community.

Introduction

1. Egerton Park has eight courts, seven of which are used for tennis with one doubling up as a pickleball court. The eighth court is used for informal football kickabouts. Two of the courts are leased to Bexhill Tennis Club and the remainder are available for wider public use.

2. Bexhill Tennis Club is based in Egerton Park, and has 85 members, including a junior section.

3. Bexhill Tennis Club has had exclusive use of Courts 3 and 4 for some 30 years, as well as the exclusive use of the timber clubhouse and terrace, through various informal and formal arrangements, including more recently a lease.

4. The leased tennis courts, clubhouse and terrace are well used by Bexhill Tennis Club who play a valuable role in supporting the Council's vision for a district where residents have the opportunity of being pro-active in sport in order to derive physical and mental health benefits.

Proposal

5. The Club presently leases Court 4 and they would like to replace it with a new lease for Court 5 as shown in the appended plan. The reason the Club wish to do so is that Court 5 is closer to their clubhouse and the playing surface is considered to be slightly better. The new lease would still include Court 3 as well as the clubhouse and terrace. It is therefore required to dispose of Courts 3 and 5 as public open space, together with the footprint of the clubhouse and terrace area.

Impact on Park Users

6. Officers do not consider this will have any detrimental impact on the use of the tennis courts by others.

Conclusion

7. Accommodating the Club's wishes will support their activity and sustain their current membership in addition to maintaining the associated physical and mental health benefits for the community.

Financial implications

8. The cost of disposing of the demised area is in the region of £915 + VAT and will be paid by the Club. There will be no associated change in the rental income to the Council.

External Consultation

9. The proposed disposal of the public open space will be advertised in accordance with the provisions of Section 123(2A) of the Local Government Act 1972 (as amended).

Legal Implications

10. The demised area must be disposed of as public open space. The site is not subject to the Fields in Trust (FiT) QEII Playing Fields scheme therefore there are no implications in that regard.

Environmental

11. Court 4 will remain being used as a tennis court, therefore no new environmental implications are likely to arise.

Other Implications	Applies?	Other Implications	Applies?

Human Rights	No	Equalities and Diversity	No
Crime and Disorder	No	External Consultation	Yes
Environmental	No	Access to Information	No
Risk Management	No	Exempt from publication	No

Chief Executive:	Malcolm Johnston
Report Contact Officer:	Joe Powell
e-mail address:	joe.powell@rother.gov.uk
Appendices:	A Plan showing area to be leased
Relevant Previous Minutes:	N/A
Background Papers:	N/A
Reference Documents:	N/A

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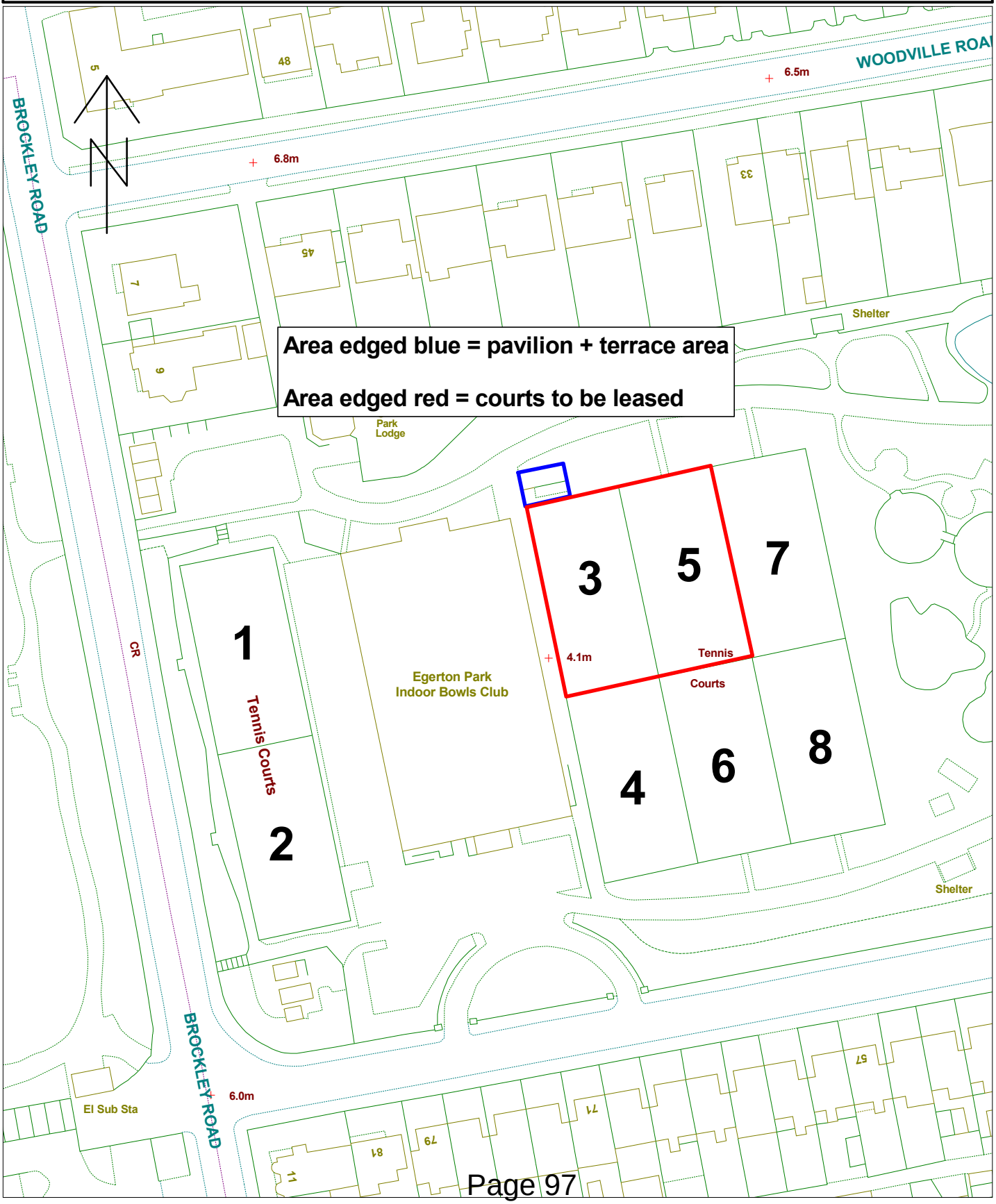
ROTHER DISTRICT COUNCIL SERVICES DIRECTORATE Housing and Community: Neighbourhood Services	Site Ref./Drawing No. Map Reference: TQ7307SE Date: 29/01/2021 Scale: 1:1000

Title: Area to be leased to Bexhill Tennis Club	Drawn: RO	Survey:



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