

**Lewes District Council** 

#### To all Members of the Cabinet

A meeting of the **Cabinet** will be held in the **Ditchling Room, Southover House, Southover Road, Lewes** on **Monday, 08 February 2016** at **14:30** which you are requested to attend.

Please note the venue for this meeting which is wheelchair accessible and has an induction loop to help people who are hearing impaired.

This meeting may be filmed, recorded or broadcast by any person or organisation. Anyone wishing to film or record must notify the Chair prior to the start of the meeting. Members of the public attending the meeting are deemed to have consented to be filmed or recorded, as liability for this is not within the Council's control.

28/01/2016

Catherine Knight Assistant Director of Corporate Services

#### Agenda

1 Minutes

To approve the Minutes of the meeting held on 7 January 2016 (copy previously circulated).

#### 2 Apologies for Absence

#### 3 Declarations of Interest

Disclosure by councillors of personal interests in matters on the agenda, the nature of any interest and whether the councillor regards the interest as prejudicial under the terms of the Code of Conduct

#### 4 Urgent Items

Items not on the agenda which the Chair of the meeting is of the opinion should be considered as a matter of urgency by reason of special circumstances as defined in Section 100B(4)(b) of the Local Government Act 1972

#### 5 Public Question Time

To deal with any questions received from members of the public in accordance with Council Procedure Rule 11 (if any).

#### 6 Written Questions from Councillors

To deal with written questions which councillors may wish to put to the Chair of the Cabinet in accordance with Council Procedure Rule 12 (if any).

#### 7 Matters Referred to the Cabinet

Matters referred to the Cabinet (whether by the Scrutiny Committee or by the Council) for reconsideration by the Cabinet in accordance with the provisions contained in the Scrutiny Procedure Rules or the Budget and Policy Framework Procedure Rules set out in Part 4 of the Council's Constitution.

None.

#### 8 Reporting Back on Meetings of Outside Bodies

To receive feedback from the Council's representatives who serve on outside bodies in respect of meetings they have attended (if any).

#### 9 Reports from Officers

#### - Key Decision

#### 9.1 The Council Plan 2016 - 2020 - Report

Cabinet Member: Councillor Smith To consider the Report of the Director of Business Strategy and Development (Report No 22/16 herewith – page 4).

#### - Non-Key Decision

#### 9.2 Voluntary Sector Support

Cabinet Member: Councillor Nicholson To consider the Report of the Director of Business Strategy and Development (Report No 23/16 herewith – page 21).

- Key Decisions

9.3 General Fund Revenue Budget 2016/2017 - Report Cabinet Member: Councillor Giles To consider the Report of the Director of Corporate Services (Report No 24/16 herewith – page 29).

#### 9.4 Housing Revenue Account Budget 2016/2017 - Report

Cabinet Member: Councillor Maskell To consider the Report of the Director of Service Delivery (Report No 25/16 herewith – page 54).

- 9.5 The Capital Programme 2015/2016 to 2018/2019 Report Cabinet Member: Councillor Giles To consider the Report of the Director of Corporate Services (Report No 26/16 herewith – page 69).
- 9.6 Annual Treasury Management Strategy Statement and Investment Strategy 2016/2017 to 2018/2019 - Report Cabinet Member: Councillor Giles To consider the Report of the Director of Corporate Services (Report No 27/16 herewith – page 82).

For further information about items appearing on this Agenda, please contact Trevor Hayward at Southover House, Southover Road, Lewes, East Sussex BN7 1AB. Telephone 01273 471600

#### **Distribution:**

Councillors: P Franklin, B Giles, T Jones, R Maskell, E Merry, T Nicholson and A Smith

Agenda Item No:	9.1	Report No:	22/16	
Report Title:	The Council Plan 2016 - 2020			
Report To:	Cabinet	Date:	8 February 2016	
Cabinet Member:	Councillor Andy Smith			
Ward(s) Affected:	All wards			
Report By:	Nazeya Hussain, Director of Business Strategy and Development			
Contact Officer(s)- Name(s): Post Title(s): E-mail(s): Tel No(s):	sue.harvey@lewes.gov.uk	ager		

#### **Purpose of Report:**

1. For Cabinet to consider and recommend the draft Council Plan 2016 – 20 (with or without amendment) to full Council for adoption.

#### **Officers Recommendations:**

- 2. To consider the draft Council Plan for 2016 2020.
- To consider the feedback from consultation with partner organisations and other stakeholders that commenced on 21<sup>th</sup> December 2015 and is due to finish on 8<sup>th</sup> February 2016.
- **4.** To consider any recommendations arising from the Scrutiny Committee's consideration of the report on 14 January 2016.
- 5. To recommend the draft Council Plan (with or without amendment) to full Council for adoption.

#### **Reasons for Recommendations**

6. To enable the Council to set out its strategic vision, objectives and priority projects for the next four years and provide a firm basis for forward planning and performance management.

#### Information

7. Following the District Council election in May 2015, the Council has an opportunity to refocus on its vision, ambitions and priorities for the Lewes District over the next four years.

- 8. The Council Plan is a key corporate document. It sets out the Council's commitments to its residents and businesses and outlines a programme of important strategic projects and outcomes for the District. The Plan draws upon a range of statistical data, as well as the views of key stakeholders, to inform and help shape the policy priorities for the Council.
- **9.** Whilst there is no longer a statutory requirement to produce a Council Plan, it remains important to ensure the Authority has a robust framework within which to monitor and assess performance and achievements.

#### Development of the draft Council Plan 2016-2020

- **10.** The Council Plan aims to encapsulate the continuing ambitious aspirations of the organisation. The draft Plan (appendix 1) continues the strong existing commitment to improving services for customers and communities, achieving more by working together with key partners and delivering efficient, customer focussed services. This is set against the challenging financial backdrop which requires the Council to make the best possible use of its resources.
- **11.** The draft Council Plan has been prepared for Members' consideration having regard to the following:
  - The Council's existing programme of transformation projects, community initiatives and policy commitments;
  - The Residents' Survey 2015 which was conducted during the summer 2015; and
  - The financial and policy drivers likely to impact the Council in the short to medium term.
- 12. The Plan is divided into three sections;
  - Customers focussing on improved customer service and how we work to make our communities more resilient, healthy and engaged.
  - Place focussing on growth and prosperity, how we deliver sustainable new housing and infrastructure, and how we keep the district clean and green.
  - Value for Money here, following the recent Council decision to adopt a strategy for the development of shared services, the focus is on how the Council will deliver its savings, in part by the integration of the staff and services of Lewes and Eastbourne Councils.

#### Consultation and engagement on the draft Council Plan 2016-2020

- **13.** Engagement with the residents and other stakeholders of the district has been an important part of the development of the Plan.
- 14. Initial consultation was through a Residents' Survey, undertaken over the summer period which took account of the views of nearly 1,000 local residents. This independently run survey used an LGA approved research methodology based on a weighted sample of residents to ensure the demographics and make-up of the District (in terms of age, gender, ethnicity and electoral ward) was reflected. The survey provided a statistically robust evidence base on which to develop the Plan, ensuring it reflects the views, priorities and aspirations of local people. The full results of the Residents' Survey have been provided previously to all Members, and are published on the Council's website.

- **15.** As well as the Residents Survey, other methods of engagement have been adopted to gain feedback from partners and other stakeholders that will help inform the development of the Plan. Staff Forums have been held to enable staff to understand and comment on the emerging Plan. In addition, the draft Plan is currently published on the Council's website and residents and key partner organisations (as listed in Appendix B) have been invited to comment. Comments and feedback will be welcomed up until the report is considered by Cabinet on 8 February 2016.
- **16.** Any feedback received from residents, partners and other stakeholders will be provided in the form of a written update to the report which will be circulated at the meeting.
- **17.** The Scrutiny Committee considered the draft Plan at its meeting on 14<sup>th</sup> January 2016.

#### Adoption and Delivery of the Council Plan

- **18.** Following adoption by Members, the final Council Plan will be published on the Council website. Although a four year plan, it is considered a dynamic document that will develop over time and therefore will be subject to annual review and refresh, with appropriate consultation, throughout its lifespan.
- **19.** Progress against key success measures and project deliverables contained within the document will be reported to Members on a regular basis, as part of the council's usual performance management arrangements.

#### **Financial Appraisal**

**20.** The Council Plan has been drafted in light of current and planned projects and work programmes. It is consistent with the Medium Term Financial Strategy and draft 2016/17 budgets which Cabinet are being asked to consider elsewhere on this Agenda. Any significant implications arising from the Council Plan consultation or budget proposals will be taken into consideration in the final draft of the Plan which will be reported to Council at its meeting in February 2016 when the final 2016/17 budget is set.

#### **Legal Implications**

- **21.** Cabinet may formulate the Council Plan but only full Council may adopt it; regulation 4 of the Local Authorities (Functions and Responsibilities) Regulations 2000 refers.
- **22.** In formulating the Plan, Cabinet may choose whether to have regard to any recommendations submitted by Scrutiny Committee in relation to the Plan.
- 23. Scrutiny Committee is entitled to make its own recommendations direct to full Council.

#### **Risk Management Implications**

24. The risk management implications of individual decisions relating to the projects and initiatives covered in this report will be addressed as part of the planning and delivery of those individual projects.

#### **Equality Analysis**

**25.** Equality Analyses will be undertaken in relation to the individual projects which make up the Council Plan, and therefore it is not considered necessary to undertake an overarching analysis of the Plan as a whole.

#### **Background Papers**

Residents Survey report available online at <a href="http://www.lewes.gov.uk/council/24056.asp">http://www.lewes.gov.uk/council/24056.asp</a>

#### Appendices

Appendix A – The draft Council Plan 2016 – 2020

Appendix B – Key partner organisations invited to give feedback

## **Council Plan** *2016* **→** *2020*





**CUSTOMERS PLACE VALUE FOR MONEY** 

# **Council Plan** 2016 **-->** 2020



#### **CUSTOMERS PLACE VALUE FOR MONEY**

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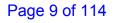
**Our district** 

**Our commitments** 

- **COMMUNITIES** Resilient, healthy and engaged communities
- **CUSTOMERS** Improved customer service
- **PLACE** Delivering sustainable new housing and infrastructure
- **PLACE Growth and prosperity**
- **PLACE** Clean and green district
- **VALUE FOR MONEY** Making best use of our resources
- **VALUE FOR MONEY** Our budget and spending 2016/17

Welcome to our draft four year Council Plan which sets out our priorities and key projects over the next few years. This draft plan will be the subject of consultation both within the Council, and with relevant stakeholders and local residents before being adopted. It will be a living plan that will respond to changing times whilst keeping a focus on the key priorities for local people.

We welcome feedback on this Council Plan. Send your comments/questions to the Business Strategy and Performance Team, Southover House, Lewes BN7 1AB by no later than 8 February 2016.





## **Introduction from the Leader**

Lewes District Council is an innovative, efficient and forward thinking council with a proven track record of delivering good quality services and responding dynamically to the changing needs of its customers and communities. We are committed to providing value for money for our residents, and keeping Council Tax levels as low as possible, despite the challenging financial climate.

Over the past five years we have reduced our costs by modernising, whilst at the same time delivering real improvements around the district, both on our own and in partnership. Local residents have noticed what we are doing. Satisfaction with how the Council runs things has improved from 45% to 63% since 2008.

#### Some of our recent achievements

- 68% of people who contacted us during 2015 rated the quality of service as good.
- Recycling rates have improved from 22% in 2012/13 to 26% in 2015; a green waste service is being trialled in Seaford so customers do not have to take garden waste elsewhere for disposal.
- 45 local entrepreneurs were supported with start-up training during 2015; 33 of these have started their own businesses. 118 young people have taken on apprenticeships at 56 local businesses.
- 110 new students started their first year at the University Technical College.
- Denton Island Growth Quarter development project in Newhaven commenced.
- Over £70 million of additional funding and investment has been attracted into our communities to deliver strategic infrastructure project over the next 5-10 years.
- A further £18 million has been secured for flood defences and £10 million for a new port access road in Newhaven.

This Plan shows how, over the next four years, we will work to make Lewes District an even better place in which to live, work and visit. There are significant challenges ahead, not least of which is the need to save £3 million by 2020.

As Leader of the Council, I have made a strong commitment to listen to and work with all political groups on the Council, key partners in the public, private, community and voluntary sectors and Council staff, to deliver some significant projects in the district as well as a major joint transformation programme in partnership with

Eastbourne Borough Council.

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Councillor Andy Smith

# **The Lewes district**

## Our people and places

Our residents, businesses and visitors benefit from beautiful landscapes and historic environment. Our diverse and attractive countryside includes chalk cliffs and downlands, shingle beaches, heathland, wetland and areas of ancient woodland. Our County Town, Lewes, is at the heart of the district and is a popular historic tourist destination.

### Lewes district has a population of **97,500**

77% of residents live within the five urban areas of Lewes, Newhaven,
 Peacehaven, Seaford and Telscombe Cliffs/East Saltdean. The rest live in our 23 rural parishes.

This diversity of landscapes and communities is a great strength. Community life is a strong and distinctive feature of the district. Residents identify closely with our towns, neighbourhoods and villages. However it inevitably also provides some challenges in terms of connectivity and issues of rural isolation for some of our communities.

Our population of 97,500 is projected to grow by 8% by 2027. During this time the proportion of people living with long term illness or disabilities is likely to rise by 16.5%. It is therefore important that we work with our partners to ensure the needs of our changing communities are met. We want to help support people in maintaining healthy and active lifestyles, and to remain living in their own homes.



We benefit from an entrepreneurial economy with self-employment being a significant feature of our district, representing 18% of the economically active population. Over 36% of residents are employed in managerial or professional roles.

Small companies of between 1 and 10 employees account for 88% of all local businesses. It is critical that we support these businesses to grow and prosper, through advice and guidance as well as suitable, high quality employment premises, so they can provide future employment within the district.

Alongside this, we want to put particular emphasis on supporting our young people to ensure they have the training and skills they need to thrive in the future.

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# **Our commitments**



### **O** CUSTOMERS

Our population has a higher percentage of residents over 65 years of age compared to the national average and this is expected to increase by around 45% between 2010 and 2030. These changes will need to be taken into account as we develop our services over the coming years.

Although not an area experiencing high levels of deprivation, there are some parts of our district which require more support than others, due to factors such as low incomes or social isolation. We will work to ensure that these needs are understood and reflected in the way our services are planned in the future.

We will deliver improvements for customers and communities.

### DIACE

The Lewes district is a vibrant and diverse place. Balancing the need for growth with the desire to protect and enhance the environment is important to local people.

A recent survey showed that local people viewed provision of affordable housing, economic regeneration, supporting business and campaigning for improved road/rail infrastructure to be important roles for the Council. These views have been reflected in this Plan.

### **()** VALUE FOR MONEY

Financially the future is challenging throughout local government. The funding we receive from central Government is likely to reduce significantly over the next few years, and ending completely from 2020. We need to find £2.7 million each year if we are to keep a balanced budget.

At the same time, our 2015 survey indicated that residents would like the Council to keep Council Tax at or below the target rate of inflation. This Plan sets out how we will balance residents priorities within our diminishing resources.

We will work with key partners to achieve investment in our towns and villages. We will keep close control of our budgets and make the best use of our resources.

# Communities

## Resilient, healthy and engaged communities

The Council will continue to work with its partners to enable local communities to become stronger and more able to support themselves, and for individuals to retain their independence. Key to this is the provision of good, relevant information and on-going two way engagement with these communities.

Through our Community Safety Partnership we will work to address environmental crime and antisocial behaviour and aim to reduce the fear of crime. 69% of residents feel we are working to make the area safer, a 6% improvement compared to 2008.

With our partners Wave Leisure, we will work to promote healthy lifestyles and support people to maintain their health and wellbeing.

We will also continue to fund key voluntary organisations in the area to support the most vulnerable, with a particular emphasis on dementia awareness, given the ageing population of the district.

#### We will achieve this by

- Working with Wave Leisure and other health partners to provide activities and services that meet the needs of rural areas and an ageing population.
- Working with our voluntary sector partner 3VA to promote dementia awareness across the district.
- Improved engagement with local communities, particularly focusing on how we connect with young people, through the delivery of a new social media strategy
- Further develop our relationships with Town and Parish Councils to ensure we work collaboratively on local issues, such as housing, infrastructure and rural isolation.
- Working closely with our voluntary sector partners (3VA, Sompriti, Citizens' Advice Bureau, AiRS and East Sussex Credit Union) to deliver key advice services and make effective use of grant funding.

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#### **Measuring our success**

- Residents feel we are working to make the area safer.
- Increased participation in leisure activities amongst older people and in rural areas.
- More visitors to our leisure facilities.
- Mystery visit satisfaction score of 80% or more at our leisure centres.
- Reduction in levels of environmental crime.
- Increased sign up to the Council's social media channels, particularly by young people.

82% of people who receive the Council's magazine *District News* think it provides useful information.
Around 45% of residents would like to get more involved in decisions which affect them.

58% of people aged 18 to 34 would like to get more engaged with us through social media.



# Customers

## Improved customer service

The Council provides a wide range of quality services that are valued by local residents. We have a strong record of high quality customer service, placing much importance on ensuring we put the customers' needs first.

This part of the plan focuses on how we can make best use of new technology to improve our customer service further. By joining up our computer systems, we will be able to provide instant access to our customers' records, enabling us to deliver a faster, better service.

In addition we will offer more services on-line, so they can be accessed by customers 24 hours a day, 7 days a week. We hope that this will provide more choice and convenience for our residents.

#### We will achieve this by

- Improving our customer service team to ensure more of our enquiries can be dealt with by just speaking to one person.
- Delivering high quality services for our customers including options to self-serve on our website and increasing use of social media and email alerts.
- Investing in new technology to speed up and improve the service people receive when they contact the Council.

#### Measuring our success

- Increasing the proportion of phone calls answered within 30 seconds.
- Monitoring, acting on and learning from the customer complaints and compliments we receive.
- Increasing the number of people registering for our email alert service. We aim to sign up 1,500 new users each year.

Around 7,500 calls to our switchboard each week

**63%** of customers contact us by phone; **75%** of these calls are about our waste and recycling services

20% of customers contact us via email

Over 800 e-forms submitted via our website each month

83% of residents use the internet

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### Lewes is the second most expensive market town in England in which to buy a home. The average house price is £408,641, making it a challenging place for first time buyers as well as those on

lower incomes. As the housing authority we have over 1,700 people on our housing register and in 2013 we estimated this would increase by 549 people per year. We estimate that only 244 new homes will become available each year.

As a Council, we have a clear commitment to deliver affordable housing. We have established a range of public/private arrangements which will see the Council using its assets to stimulate growth in the housing market at a local level. We have an ambitious house building programme, which will see over 5,800 new homes built by 2030.

Campaigning to improve local road and rail infrastructure is a top priority for local people

#### We will achieve this by

- Using our planning powers (including our policy to ensure 40% of new housing is affordable) to encourage and enable developers to deliver further, suitable and sustainable housing in the district.
- Our New Homes project working with our partners Karis and Southern Housing Group to deliver around 415 new homes on around 30 council owned sites across the district, of which at least 40% will be affordable.
- North Street Regeneration Scheme with Santon - delivering 416 new homes, 40% of them (165) affordable in Lewes.
- The Local Growth Fund project delivering 30 new affordable homes on 6 Councilowned sites.
- Working with local communities on Neighbourhood Plans, to guide future land use and identify where housing can be built.
- Campaigning for improvements to the A27, rail infrastructure and rail services.
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#### Installing photovoltaic panels on council homes and buildings and encouraging local renewable energy projects.

Enabling the delivery of key infrastructure projects in Newhaven, in particular a flood alleviation scheme and the Port Access Road.

#### Measuring our success

- Delivery of over 1,000 new homes across the district, 40% of these being affordable.
- 10 adopted Neighbourhood Plans in place by 2020.
- Flood Alleviation Scheme delivered to unlock development sites in Newhaven.
- Flood defences in Lewes completed.
- Southern part of Newhaven Port area made accessible for development.
- 550 photovoltaic panels installed by spring 2016, providing reduced energy bills for tenants and the Council.







### Growth and prosperity

The district is an outstanding location for business and enterprise. It has a diverse business community of over 4,700 businesses providing a range of services and products. These employ over 30,000 people drawn from a wide catchment area. Key sectors include public administration, tourism, education and health, retail and manufacturing.

Lewes, Seaford and Newhaven have good rail links to London, Gatwick and the towns along the Sussex coast and beyond. The district benefits from good access to the trunk road network, with the A27/A26 linking Lewes and Newhaven to neighbouring Brighton and Eastbourne and the nearby A23/M23 providing access to London, Gatwick and the M25.

The port of Newhaven provides cross channel passenger and freight services to Dieppe, in Haute Normandie, France, and beyond to northern European. There is great potential to open up a European market in excess of 450 million customers. We plan to deliver an area attractive to inward investment and supportive to new and developing businesses. We will work in partnership to bring about regeneration in the parts of the district where it is needed.

#### We will achieve this by

- Developing the Enterprise Zone in Newhaven which has the potential to deliver 2,000 new jobs.
- Working to deliver super fast broadband to businesses across the district.
- Supporting businesses to grow and invest.
- Continue to make the case for Gatwick as the most sustainable location for a second runway in the South East.



#### Measuring our success

- Increase in the number of businesses assisted through Business Rate Relief Scheme.
- Delivery of an annual business awards scheme with good uptake from local businesses.
- Level of investment into local businesses secured through partners.
- Enterprise Zone established, resulting in increased occupied commercial floor space of 55,000m<sup>2</sup> in Newhaven.
- Increased broadband coverage and speed in the district.
- 700m<sup>2</sup> of new modern floor space for growing businesses on Denton Island.
- 140,000m<sup>2</sup> of commercial space in Lewes.
- 300 public car parking spaces in Lewes.
- Delivery of a new 1,864m<sup>2</sup> health centre in Lewes.



### Clean and green district

Our residents rightly value our high quality environment. They believe rubbish and litter is more of a problem now than in 2008. We expect the district to remain a clean and beautiful place to live, work and visit, as a result of continued effort to protect the quality of the local environment.

We know that one of the most important services we provide to our residents is waste collection and recycling. We are currently below the national average recycling rate for district councils in the South East (42.9%). We will invest significantly in our recycling services and aim to encourage much higher rates of recycling.

By 2020, the district will have attracted a greater number of visitors. Residents' quality of life will be enhanced by our beautiful parks and open spaces.

Our natural and historic environments will be preserved and park facilities and community spaces will have been improved, as we work with Towns and Parish Councils to devolve these areas to local communities.

#### We will achieve this by

- Introducing a waste service that prioritises recycling and ensure these services are easy to use and collected frequently – recyclable waste (including food waste) to be collected every week and the remaining household waste to be collected fortnightly.
- Extending the chargeable fortnightly green waste collection service, currently piloting in Seaford, to the whole of the district.
- Developing a high profile campaign on new recycling services, so residents are well informed.
- Devolving some of our parks and open spaces to Town and Parish Councils.
- Exploring new opportunities to increase income.
- Working with the police and other agencies to tackle environmental crime such as litter and fly tipping.

#### Measuring our success

- Increased levels of recycling we aim to recycle 47% of household waste by 2019.
- A new Materials Recovery Facility in Newhaven bringing together our waste operations to one location, thereby reducing costs and providing future commercial opportunites.
- The number of parks and open spaces devolved to local communities.
  - 88% of local people are satisfied with our refuse collection service.

Our current recycling rate is around 26%, better than in 2014/15 but short of our ambitious target.

74% of people are satisfied with our recycling service.

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# Value for money

## Delivering sustainable services

The financial outlook for Local Government continues to be bleak. Having already absorbed cuts of 40%, we anticipate that our Revenue Support Grant will be completely withdrawn by 2020. We are already well on the way to managing this reduction, but recognise that we need to continue to remain agile and flexible in how we manage our services within a tightening financial environment.

We have an ambitious capital investment programme, which will yield new income streams for the Council. But at the same time, we must continue to explore new ways of delivering services.

A significant element of our future savings will be achieved through our Joint Transformation Programme, which will see us integrate all our services with Eastbourne Borough Council by 2020 and deliver savings of £3m per year.

#### We will achieve this by

Implementing a Joint Transformation Programme with Eastbourne Borough Council, building on the back-office services that are already shared between the two Councils. This Programme will reduce costs for both Councils, whilst at the same protecting, or in many cases improving, the quality of services delivered to local residents and creating two stronger Councils which can operate more strategically within the region.

Integrating the staff and services of both Councils, saving money and making services more sustainable, resilient and flexible. The focus will be on the 'Customer Experience'. We aim to meet communities' and individual customers' expectations to receive high quality, modern services focused on local needs and making best use of modern technology.

Retaining the sovereignty of each council, meaning that Lewes District Councillors will continue to set the priorities for Lewes District, and Eastbourne Councillors will set them for Eastbourne.

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#### **Measuring our success**

- Council tax precept remains below target rate of inflation.
- Deliver a balanced budget.
- Encourage our residents to self serve, using our website.
- Percentage of invoices paid on time.

Our total spend reduced by 4% in 2013/14; we were in the lowest third compared to other similar councils.

We have reduced spending by 2% since 2012/13 and spend is in the lowest third amongst similar councils.

We increased the value of our assets by 6% in 2013/14.

# Value for money

Our budget and spending 2016/17

Our budget and spending 2016/17

Where does the money come from?

Our capital programme 2016/17

Text text text to come

Pie chart to follow

Pie chart to follow

Where does the money go?

Pie chart to follow

2016/17 Council Tax

The average level of Council Tax (for Band D properties) in the Lewes district will be £X,xxx.xx for the year from 1 April 2016.



#### APPENDIX B

#### Key partner organisations invited to give feedback on the Council Plan

- Town and Parish (all Clerks)
- East Sussex County Council Chief Executive
- East Sussex Fire and Rescue Chief Executive
- Hastings and Rother Clinical Commissioning Group and Eastbourne, Hailsham and Seaford CCG - Chief Officer
- High Weald Lewes and Havens Clinical Commissioning Group Chief Executive
- Sussex Police and Crime Commissioner, Chief Executive
- South Downs National Park Authority Chief Executive
- Environment Agency Chief Executive
- All Gov Delivery consultation and business subscribers (currently 1,009 subscribers)
- Chambers of Commerce
- Relevant voluntary and community sector organisations
- Council housing tenants groups; Tenants of Lewes District (TOLD) and Lewes Association of Scattered Tenants (LAST)
- Note: All residents have an opportunity to comment on the draft Plan via the Council's website

Agenda Item No:	9.2	Report No:	23/16	
Report Title:	Voluntary Sector Support			
Report To:	Scrutiny Cabinet	Date:	14 January 2016 8 February 2016	
Cabinet Member:	Cllr Tony Nicholson			
Ward(s) Affected:	All			
Report By:	Nazeya Hussain, Director of Business Strategy and Development			
Contact Officer(s)-				
. ,	Jo Harper Head of Business Strategy Jo.harper@lewes.gov.uk 01273 661374	and Perform	ance	

#### **Purpose of Report:**

1 To report on the performance of those voluntary organisations funded by the Council in 2015/16 under a service level agreement and confirm arrangements for 2016/17.

#### **Officers Recommendations (to Scrutiny):**

- 2 To scrutinise the performance of those voluntary organisations that received funding from the Council in 2015/16.
- 3 To note the allocation of funding to relevant voluntary organisations for 2016/17.

#### Officers Recommendations (to Cabinet):

- 4 To consider any recommendations arising from the Scrutiny Committee's consideration of the report on 14 January 2016.
- 5 To agree the allocation of funding to relevant voluntary organisations for 2016/17 as set out in para 39, in line with the Service Level Agreements agreed in 2015.
- 6 To agree that an additional sum of £13,465 from HRA be added to the annual payment to the Lewes District Citizens Advice Bureau for the provision of money advice to Council tenants and that this form part of the Service Level Agreement with that organisation in future years.
- 7 To agree the additional allocation of £3,500 to 3VA for one year only (2016/17) to support the Dementia Friends project.

#### **Reasons for Recommendations**

8 The Council has historically provided support to a number of strategic voluntary sector organisations, which provide a range of direct services to our residents, in line with the Council's priorities. In 2015/16 this arrangement was formalised by the negotiation of Service Level Agreements with these key organisations.

#### Information

- 9 The Council recognises the significant contributions that the community and voluntary sector play in delivering services to our residents. Partnership working is a key priority for Lewes District, and the Council is committed to working with voluntary and community organisations through the giving of community grants. This helps support a thriving voluntary sector in Lewes District. In addition, the giving of funding to such groups can also provide a cost effective way of delivering the Council's objectives.
- 10 Historically, the Council has provided funding to a small number of voluntary and community organisations on a recurring basis, these being; the Citizen's Advice Bureau (CAB), 3VA, Action in Rural Sussex (AiRS) and Sompriti. These particular organisations have been funded because of the core role they play in enabling and supporting other parts of the community and voluntary sector (3VA and AiRS) or because of the unique advisory role they provide to those experiencing hardship or disadvantage (CAB and Sompriti).

#### **Service Level Agreements**

- 11 In February 2015, the Council agreed a three year Service Level Agreement (SLA) for each of the four key organisations which the Council has previously funded on a regular basis (CAB, AiRS, 3VA and Sompriti). These SLAs provide certainty to organisations for a three year period. This enables them to plan ahead and ensure consistent delivery of service. Having the security of a 3 year SLA with the Council can also assist voluntary organisations in the leverage of further funding from other sources.
- 12 The SLA also provides a mechanism for the Council to closely monitor the organisations' performance and delivery. The SLAs are agreements that specify the amount of funding, what activities it covers, legal requirements, monitoring and evaluation processes. It should be noted, however, that all SLAs contain clauses enabling review, termination and/or renegotiation of terms should the need for the service change or performance issues be encountered.
- 13 During 2015/16 a fifth Service Level Agreement has been negotiated. The SLA is with East Sussex Credit Union. This organisation has received funding in the past from the Council, through the Housing Revenue Account. In order to bring about greater consistency in the funding and monitoring of voluntary organisations an SLA has been agreed, initially for one year, from September 2015 to August 2016.

#### Performance in 2015/16

14 Regular quarterly monitoring meetings have been held with those organisations which receive larger awards. The lower level SLAs are subject to annual monitoring.

<u>CAB</u>

- 15 The CAB helps people resolve their legal, money and other problems by providing free, independent and confidential advice. LDC currently provides around 82% of their core funding with the Town Councils across the district providing the remaining 18%.
- 16 In the past year the CAB has continued to provide advice services for a range of clients across the district. Most recent data indicates that the CAB is seeing around 4000 clients at the Bureau's various locations each year. Benefits (40%) and debt (14%) and housing issues (9%) forming a significant proportion of the enquiries.
- 17 One of the key measures used to determine the success of the Bureau is the financial outcomes for clients (in terms of income gain, debts written off or repayments rescheduled) resulting from the help provided through CAB advice. This is expressed as an 'annualised value'. The total value for the second quarter of 2015/16 was £471,492 this is similar to levels achieved in previous quarters.
- 18 The Bureau is reaching clients from across the district with the largest numbers coming from Newhaven (16%), Peacehaven (19%) and Lewes (20%). As part of their SLA, the CAB have made a commitment, in light of the geographical spread of demand on the service, to move their main office from Lewes to Newhaven, whilst retaining a presence in Lewes through shared space in Southover House reception. We are working with the Bureau currently to help them investigate options for suitable accommodation in Newhaven for this purpose.

<u>3VA</u>

- 19 As a Council for Voluntary Service, 3VA provides support for voluntary and community organisations across the Eastbourne, Lewes District and Wealden areas of East Sussex. They provide a range of practical support to charities and community groups including start-up support, funding advice, help with governance and training. Their services help to inform, sustain and develop the voluntary and community sector in the area.
- 20 In the past year 3VA has continued to provide valuable up-to-date information to local groups through its digital newsletter, 3View, which currently reaches 1,828 groups, organisations and individuals. In the first half of the year, 26 Lewes based organisations received one to one help and advice from 3VA and 7 training courses were delivered. In addition to the work currently funded by LDC, 3VA have also been bringing partners together to develop local Dementia Action Alliances in the past year. As is set out in para 37 below, it is recommended that the Council provide some additional funding to support this work in 2016/17.

<u>AiRS</u>

- 21 AiRS is the Rural Community Council for Sussex. The organisation's purpose is to provide practical help and support to rural communities across both East and West Sussex enabling them to be vibrant, living and working places. The funding provided by the Council is specifically to support the organisations work with village halls and community buildings.
- 22 In the past year AiRS have continued to produce a regular newsletter with information and advice which is sent to village hall management committees in the district. They have delivered training (most recently on Emergency Planning) and provided one-to-one advice and assistance to individual village halls as needed. Barcombe, Wivelsfield and the Shakespeare Hall in Newhaven have been particular recipients of assistance in the past year.

#### <u>Sompriti</u>

- 23 Sompriti supports black and minority ethnic (BME) communities and individuals across East Sussex. They work with individuals from a range of different backgrounds and heritage, organising community events, and providing bilingual support to residents in a variety of community languages.
- 24 The organisation has provided 85 hours of advocacy and support to clients accessing LDC services in the past year. The majority of clients have needed help accessing housing support, with access to council tax and housing benefit being the next most common area of advice sought.
- 25 Sompriti also run support groups for local BME women, older people and businesses, run 'English for Speakers of Other Languages' courses and put on community events to promote good understanding between different sections of our local communities. In recent months the organisation has engaged with Filipino and South Asian communities in Telscombe Cliffs who work in Care Homes. Contact has also been made with a group in Seaford seeking to set up an Islamic Community Organisation. English Conversation classes have been held in Peachaven recently, which were attended by residents from Peacehaven and Newhaven.
- 26 The current SLA with Sompriti limits the bilingual element of their work to advocacy, which is a higher level of support provided by trained advocates. However, following conversations with the provider, it has become evident that there is also a need for a less intensive level of assistance, which would be classed as 'bilingual support' (rather than 'bilingual advocacy') and can be provided by support workers rather than community advocates. It is proposed that the SLA be amended to reflect this need and to ensure that residents requiring all forms of bilingual assistance receive the service they need.
- 27 Supporting this organisation financially assists the Council in fulfilling its equalities duties under the Equality Act 2010, as it improves access to Council services for BME communities (through bilingual support).

East Sussex Credit Union

- 28 The East Sussex Credit Union is a not-for-profit savings and loans co-operative. It helps customers to save money and offer cost effective and flexible loans which meet individual needs. It also works in partnership with local communities and other agencies to provide joint solutions to money related issues. There is a particular emphasis on those who are disadvantaged, marginalised or poorly served by mainstream financial providers.
- 29 The funding provided by the Council is specifically for the Credit Union to work with LDC tenants affected by welfare reform and those on low incomes. This includes providing basic banking facilities for those who are unable to access mainstream banking and providing training in money management.
- 30 Funding for this project started in September 2015 and was granted for one year, up until August 2016.
- 31 The Credit Union has 483 members in the Lewes District, 70% of which are LDC tenants. One of the main benefits to our residents of using the Credit Union is that it provides a less costly alternative to using so-called 'doorstep' or 'payday' loan providers. An estimated £14,000 has been saved in interest payments by residents in the last quarter alone.
- 32 The Union also provides a savings scheme into which local residents have currently contributed over £300,000 of savings, a rise of £7.5k on the previous year.
- 33 Given that the East Sussex Credit Union is working toward becoming a financially self-sufficient organisation, it is not proposed that funding be ongoing. However, given the added value that this organisation provides to LDC tenants in particular, Members may be minded to agree a continued grant to the Credit Union until 31 March 2017 whilst they process towards their target of selfsufficiency. On this basis, an additional allocation of £8,330 is recommended in 2016/17.

#### Funding for 2016/17

34 It is proposed that core funding for CAB, 3VA, AiRS and Sompriti be granted in 2016/17 at the same level as for 2015/16. There are two additional payments which Cabinet are asked to consider for 2016/17. These are detailed below.

#### CAB - Money Advice

- 35 In previous years HRA funds have been used to make a separate payment to the CAB for 14 hours a week of money advice purely for LDC housing tenants who are experiencing rent or council tax arrears. This grant has helped those experiencing debt problems to help them manage their repayments and at the same time helped to reduce the Council's court/eviction costs.
- 36 It is proposed that £13,465 continues to be paid to CAB for this purpose, but that it be built into their SLA for future years.

<u> 3VA - Dementia Friends</u>

- 37 A major strand of the Council's equalities work over the past and coming year is the Dementia Friends project. This project aims to make the Lewes District a more friendly and understanding place for people living with dementia and their carers. It involves raising awareness of the condition among staff, councillors and the wider population of the District. It also involves working with local and regional Dementia Action Alliances to improve partnership working across a variety of sectors.
- 38 In order to support us in our multi-agency approach to promoting the Dementia Friends approach with local communities in the current year, £3.5k has been allocated to 3VA in the current year to assist with community development and training activities. It is proposed that a further £3.5k be allocated in 2016/17, for one year only, to conclude this two year project.

#### 2016/17 Funding Schedule

39 The funding proposed for 2016/17 is detailed in the below table. Funding for the third year of the SLA period will be brought to Cabinet for consideration next year.

Org	£ funded (15/16)	Proposed Funding £ (16/17)
САВ	140,340 (HRA benefits advice <u>) 13,400</u> <u>153,740</u>	140, 340 (HRA benefits advice) 13,400 (HRA money advice) <u>13,465</u> <u>167,205</u>
3VA	28,000	28,000 (Dementia Friends) <u>3,500</u> <u>31,500</u>
AiRS	3,500	3,500
Sompriti	10,000	10,000
East Sussex Credit Union	(HRA Sept15 – Mar16) 8,330	(HRA Apr16 – Aug16) 11,663 (HRA Sept 16 – Mar 17) <u>8,330</u> <u>19,994</u>

#### **Financial Appraisal**

40 The core elements of funding for 2016/17 proposed in this report are consistent with the agreed SLAs and can be met from base budgets. In preparing the draft HRA budget for 2016/17, which is presented elsewhere on this Agenda, a provision of £13,465 has been made for a money advice service to tenants to Page 26 of 114 be delivered by the CAB. Should the Scrutiny Committee/Cabinet not be in favour of this initiative, the provision will be released into the HRA working balance.

#### **Legal Implications**

The Legal Services Department has made the following comments:

41 Since the allocation of council funds recommended at paragraphs 5 and 6 above constitutes public funding, regard must be had to EU rules on State Aid. The purpose of the State Aid regime is to prevent governments (including local government) from giving financial advantages to organisations in a way which could distort competition between Member States.

Public funding of any organisation up to a maximum of 200,000 euros over a rolling period of 3 years is classed as "de minimis aid" (subject to certain other qualifying criteria). The EU considers that this amount of aid has a negligible impact on competition and trade, and does not need notification or approval by the Commission. The level of proposed funding to 3VA, AiRS, Sompriti, and East Sussex Credit Union falls within the scope of de minimis aid.

The proposed funding to CAB exceeds the de minimis aid threshold. However, the nature of CAB's activities means that local public support measures (such as local authority funding) can be granted without prior Commission approval. Guidance issued by the Commission in April 2015 indicates that public support to purely local operations do not involve state aid within the meaning of EU rules, because they are unlikely to have a significant effect on trade between Member States.

CAB's advice is aimed only at the local population, competition for which only exists at local level. Further, language issues, and features of the local health, benefits and debt systems (the principal topics dealt with by CAB) make cross-border competition unlikely.

Accordingly, it is considered lawful to proceed with the state funding as proposed, without the need for prior EU Commission notification or approval.

#### **Risk Management Implications**

- 42 I have completed a risk assessment. No new risks will arise if the recommendations are not implemented. The following risks will arise if the recommendations are implemented, and I propose to mitigate these risks in the following ways:
  - a) Close monitoring of voluntary groups to ensure services are delivered.
  - b) Funding only provided to groups if satisfied with relevant evaluation.

#### **Equalities Analysis**

37 Equalities screening was undertaken on 6 November 2014. As only positive implications were identified, a full equalities analysis was not required. The nature of the services provided by the organisations referred to in this report

have not changed since the screening was undertaken and therefore a new impact assessment is not required.

#### **Background Papers**

38 The performance monitoring reports relating to each of the organisations funded are held by the Business Strategy and Performance Team.

Agenda Item No:	9.3 Report No:			24/16
Report Title:	General Fund Revenue Budget 2016/2017			
Report To:	Cabinet	Date	08 Febr	uary 2016
Cabinet Member:	Councillor Bill Gil	es		
Ward(s) Affected:	All			
Report By:	Alan Osborne, Director of Corporate Services			
Contact Officer(s)- Name(s): Post Title(s): E-mail(s): Tel No(s):	Alan Osborne Director of Corpor alan.osborne@lev 01273 710377			

#### Purpose of Report:

To present the 2016/2017 General Fund Revenue Budget to be recommended to Full Council.

#### Officers Recommendation(s):

#### That Cabinet:

- 1 Reviews the contributions to reserves and use of reserves as set out in Appendix D.
- 2 Considers any recommendations of the Scrutiny Committee.
- **3** Notes the Council Tax and Business Rates Collection Fund balances to be returned in 2016/2017.
- 4 Considers the statutory report of the Designated Chief Finance Officer as required by section 25(1) of the Local Government Act 2003, set out in section 14.
- 5 Notes completion of the statutory Non Domestic Rates Return (NNDR1) with retained rating income of £3,070,000 carried out in consultation with the Portfolio Holder.
- 6 Notes the response of the Society of District Council Treasurers (SDCT) to the Government Consultation on the Finance Settlement. (Appendix H)
- 7 Agrees to a balanced budget without the use of reserves for recurring expenditure acknowledging the use of £58,900 of New Homes Bonus (£1.592m total) for services.

#### That Cabinet recommends to Council:

- 8 That it accepts the Government proposal in respect of a four year settlement as outlined in 1.7
- **9** An aggregate Council Tax requirement of £6,823,300 (a Council Tax increase of 0.5% for the aggregate Lewes District Council "Council Tax Requirement) comprising
  - a. A General Expenses Council Tax requirement of £6,279,340
  - b. A Special Expenses Council Tax Requirement of £543,960.
- **10** That following publication of the Final 2016/2017 Local Government Finance Settlement the Director of Corporate Services be authorised to make the necessary adjustments to maintain the general expenses council tax requirement at the above level and to report any adjustments to the next Cabinet meeting.

#### **Reasons for Recommendations**

- 1 Cabinet is required to approve the budget in accordance with the Council's Constitution. This budget report sets out the level of General Fund revenue resources needed to support the Council's priorities and services.
- 2 The Council has a statutory duty to determine its Council Tax Requirement and level of Council Tax for the coming year. Cabinet makes a recommendation to Council on this matter having taken account of the Director of Corporate Service's statutory report on the adequacy of reserves and balances.

#### 1 National Context

- **1.1** Delivering the Deficit Reduction Plan remains a national priority.
- **1.2** In December 2015, The Chancellor of the Exchequer gave the annual Autumn Statement to Parliament. Measures announced within it include the following:
  - The current £1,000 business rates discount to retailers will come to an end.
  - Department for Communities and Local Government (DCLG) will receive approximately 30% less funding over the period to 2020.
- **1.3** The provisional Local Government Finance Settlement for 2016/2020 confirmed that the central government core grant to run local services nationally will fall by around 15%. (LDC 15.4%)
- **1.4** This reduction includes the assumptions over the New Homes Bonus (NHB) which is reflected within each council's overall figures as well as each council's ability to grow its tax base (based on 2014-2016) and raise council tax by 2% (4% for upper tier authorities with adult care services with 2% ring fenced).

- **1.5** Added to the effects of inflation, the overall reduction is over 30% and the grant reduction programme has been front-loaded.
- **1.6** Many councils are rebalancing budgets to reflect the reduction in core funding. In order to rebalance budgets many councils are using 100% of NHB to support ongoing expenditure The report recommends that a small percentage (4%) of the 2016/2017 NHB be used by LDC in support of services.
- **1.7** The Government has announced that authorities can elect for a 4 year grant settlement. In return for relative funding certainty the Council will have to publish a 4 year efficiency plan with authority for changes being limited to Full Council. Whilst details are not yet available, advisers are suggesting that the MTFS and subsequent delivery of savings will suffice in this respect.

#### 2 Policy Context

**2.1** Cabinet has previously set Financial Principles and Objectives in its Medium Term Financial Strategy (Appendix A). These are used as part of the framework to guide budget preparation and compilation of the Medium Term Financial Strategy.

#### 3 Council Tax Referenda and Freeze Grant

- **3.1** The Localism Act 2011 introduced a requirement for referenda to approve or veto council tax increases that exceed limits set out by the Secretary of State (and approved by Parliament) in "principles" defined for the following financial year.
- **3.2** The Secretary of State has indicated that the threshold for 2016/2017 is 2% for principal authorities. This threshold is applied to changes in the aggregate of an authority's "General" and "Special" Expenses.
- **3.3** There is currently no proposal for an extension to the Council tax freeze grant regime that has been in operation for the last four years. All previous year's tax freeze grants have been subsumed within the funding assessment for each local authority with the exception of the current year (2015/2016) which is subject to the consultation on the overall settlement. This equates to £75k for LDC.

#### 4 Lewes District Council's own council tax requirement for 2016/2017

4.1 The Council's average band D tax each year is calculated as follows:

Aggregate Council Tax Requirement		Band D tax
Band D taxbase	=	requirement

- **4.2** The aggregate Band D requirement in the current year is £189.61.
- **4.3** The aggregate Council Tax Requirement comprises two elements. The majority part is General Expenses. In the current year the General Expenses band D requirement is £172.11. The remainder (£17.50) is attributed to Special Expenses.

**4.4** The Council's commitment to passing on reductions made by devolving responsibility for the upkeep of open spaces to Parishes means that 2016/2017 General Expenses Band D tax will be recommended at £175.41 (a 1.9% increase) and the Special Expenses element will reduce to £15.20. The aggregate for next year of £190.61 is a 0.5% increase against the aggregate of £189.61 in the current year.

#### 5 The 2016/2017 General Fund Budget

- **5.1** The General Fund Budget Summary for next year is shown at Appendix B together with the movement between 2015/2016 and 2016/2017. It should be noted that there have been changes in managerial responsibilities, the service totals by responsible Director are however comparable.
  - (a) the Council's efficiency programme, inflation, variations in income and changes in demand for services. A statement showing the major variations is given at Appendix C.
  - (b) A balanced budget for next year requires a total savings target of £685,000 (of which £285k has been achieved and is incorporated within the service budgets shown in the Summary) with £400,000 to be met from the joint transformation programme. The only withdrawal from the general fund reserve is to meet non-recurring expenditure.
  - (c) A budget of £109,000 is available in 2016/2017 to support the implementation of service priorities.
  - (d) A summary of contributions to and from reserves is shown in Appendix D. Reserves can be used to finance revenue or capital expenditure and the summary shows the aggregate planned use in 2015/2016 and 2016/2017.
  - (e) Business Rates retained by the Council under the retention arrangements introduced by the Government from 1 April 2013. The amount shown is net of a tariff (£7.399m in 2016/2017) payable to the Government (because the Council's assumed business rates income exceeds its assumed spending needs baseline) and a levy (£0.684m in 2016/2017) in respect of growth in business rates income. All such levies are payable into the East Sussex Business Rates Pool and redistributed back to pool members (LDC's share estimated at £0.300m in 2016/2017).
  - (f) Details of Government grants are shown in the sources of finance section of the General Fund Budget Summary. Key movements are the reduction in Revenue Support Grant (£709,000) and Housing Benefit Administration Grant (£60,500) and an increase in New Homes Bonus (£215,500) generated from 187 additional homes in the District.
- 5.2 Pay and Price Assumptions
  - (a) The 2016/2017 draft budget has been prepared in accordance with the following framework:

Base budget:

- (i) No new items to be added to the budget except where approved by Cabinet in the year to date.
- (ii) Savings reported to and agreed by Cabinet to date to be incorporated within draft budgets.

#### Employee budgets:

- (iii) An average provision of £70k has been made for movements in the pay bill in line with the ministerial announcement that pay will increase by 1% in the sector.
- (iv) Provision has been made of £70k for annual contractual salary increments.
- (v) The Council's budgeted employer's pension contribution rate for 2016/2017, reflected in the cost of each service, is the same as that proposed by the actuary following the three-yearly review of the East Sussex Pension Fund finalised in December 2013. The following contributions are proposed by the actuary:

2016/2017 20.5% plus £135,000 (equates to 21.9% in total)

#### Inflation:

- (vi) No allowance for general price increases other than where these are unavoidable eg business rates
- (vii) Agreed cost indices in tendered contracts.
- (viii) Should average price inflation (excludes pay) exceed assumptions in the budget outlook by 1%, this would add around £100,000 to the budget savings target.
- (ix) Income from general fees and charges is largely related to usage and activity levels. A separate report is agreed annually to agree increases in volume and price to be reflected in the budget. The MTFS assumes that overall income will rise by CPI.

#### 6 Deficit Reduction Programme

- **6.1** The Government has clearly stated its position that the economy will grow throughout the period of this Parliament and that public sector funding will continue to reduce.
- **6.2** The Council's MTFS through to 2019/2020 reflects a widely held expectation that core funding from Revenue Support Grant will be extinguished by the end of the period. (By 2018 for LDC)
- **6.3** The Government is consulting on the full retention of business rates by local government (currently 50%) but has announced that at any change will be fiscally neutral.

#### The Council's Savings Plan

- 6.4 Appendix E shows the savings plan through to 2020. The target for the current year is set to be achieved. All pay budgets are now set with a built in vacancy factor of 2%.
- **6.5** The savings for 2016/2017 will mainly derive from the Organisational Development programme which includes the shared services agreement with Eastbourne Borough Council.

#### 7 Medium Term Budget Outlook

- **7.1** The Medium Term Budget Outlook is shown at Appendix F. It builds upon the budget for 2016/2017 and uses assumptions for future years. No significant changes in assumptions have been made from 2015/16.
- **7.2** Council tax levels for 2017/2018 onwards have been modelled at 2% (the target rate of CPI). In line with the objectives in the Budget Outlook delivers a sustainable recurring base budget up to 2020, with no call on reserves for recurring expenditure, and with no future reliance upon Revenue Support Grant. The four year savings target from 2016/2017 to 2019/2020 amounts to £3.186m which is an excess of £365,000 over the forecast requirement identified in the MTFS.
- **7.3** In the event that savings fail to materialise it would be necessary to utilise the New Homes Bonus spending power and even then a substantial budget gap would remain. The Council's reserves and balances would be under great pressure and the shape of the Council's service provision would be biased more towards statutory services.
- 7.4 A number of underlying risks need to be constantly monitored:
  - (a) Retained business rates:
    - There is likely to be a loss of retained rate income associated with regeneration projects in Lewes and Newhaven. This will be partly balanced by newly created non domestic premises and additional New Homes Bonus spending power where non domestic premises are replaced with domestic dwellings. In such cases there may be a need to use the additional New Homes Bonus spending power to cover any loss in retained business rates.
    - The outcome of appeals against business rate valuations remains a key risk. Successful appeals can be backdated to 2010 and the decisions of Valuation Tribunals elsewhere in England can trigger fresh appeals from certain categories of business (eg GP surgeries in 2015). There are currently 230 outstanding appeals against the LDC rating list.
  - (b) General income levels: The review of fees and charges for next year has resulted in a higher savings target (an extra £80,000) as agreed at Cabinet in January.

**7.5** Throughout the coming year Cabinet will receive monitoring reports to review budget against actual quarterly.

#### 8 The Council's Capital Programme

- **8.1** The Prudential Code requires local authorities to plan their capital expenditure programme for at least three years ahead. This corresponds with the time scale covered by the Council's Capital Strategy. Understandably, the most detailed information is available for Year 1, with the programme for years 2 and 3 liable to variation when more precise forecasting can be undertaken in terms of both the availability of capital resources and spending requirements.
- **8.2** Revenue contributions to capital can be made either by the provision of a nonrecurring contribution in the Revenue budget when circumstances permit or by annual recurring contributions if further savings can be generated within the revenue budget. Alternatively, contributions can be made from unallocated reserves and balances, or by using balances on reserves which are no longer required.
- **8.3** The Capital Programme report demonstrates that a programme focussed on statutory requirements and core service needs and priority Council projects can be achieved for the next 3 years.

#### 9 Conclusions

- **9.1** In light of the above commentary it is essential that Cabinet carefully controls the recurring base budget.
- **9.2** The General Fund Reserve can be used as a short term measure to manage the pressures arising from lower income, rises in demand for statutory services and the lead in time needed to deliver savings.
- **9.3** The Council's earmarked reserves could be reassigned to balance a future budget in exceptional circumstances, but again this is not a sustainable solution.
- **9.4** Current and medium term pressures require the recurring base budget to be significantly reduced. Unless there is a compelling business case that helps achieve the base budget restructuring any calls for additional recurring resources need to be considered only when until the desired savings targets are delivered.
- **9.5** There is capacity within the budget to meet time limited initiatives of a non-recurring nature, either from specific earmarked reserves, the General Fund Reserve, or the service priorities budget which is in effect a contingency that can be deployed once the overall year end position can be reliably predicted.
- **9.6** The Council needs to be reassured that the aggregate of reserves and the working balance is sufficient to meet the medium term finance strategy principles and objectives.

#### 10 Reserves

**10.1** Section 25 of the Local Government Act 2003 contains the statutory duty on the Chief Finance Officer to report to the authority on the robustness of the estimates it makes when setting the Council Tax and on the adequacy of its proposed financial reserves.

- **10.2** The Chartered Institute of Public Finance and Accountancy issued updated guidance in July 2014 (The Local Authority Advisory Panel Bulletin no. 99) in relation to reserves and balances. This has been taken into account in this report.
- **10.3** The Council's reserves and balances need to cover all significant identified risks and operational service needs. As part of the annual budget and closing of accounts processes, the Council reviews and approves the position on its reserves. This is a mandatory requirement for all councils.
- 10.4 Where it is known in advance of a financial year that a reserve will be used, the expenditure is budgeted for and included in the draft budget and a contribution is made from that reserve. The Leader can authorise additional uses up to £100,000 during the year in accordance with the Council's Constitution and Council above that amount.
- **10.5** Savings can be achieved by reducing the annual level of contributions to reserves, but reserves are essential to ensure the financial sustainability of services. Making short term cuts to annual contributions is not a sustainable course of action but reviewing the level of contribution in parallel with service reviews and realignment exercises may enable reductions to be achieved. Reviews are made at least twice a year, during the budget cycle and as part of the accounts closure process.
- **10.6** A statement of the Council's Main Reserves projected through to 31 March 2017 is shown at Appendix D.
- 10.7 The Strategic Change Reserve holds New Homes Bonus received pending its use on approved projects. The most significant project to be funded from the Reserve is the Joint Transformation/Service Integration Programme with Eastbourne Borough Council (£2.25m allocated across 2015/2016 and 2016/2017).
- **10.8** The Asset Maintenance Reserve provides resources for major works to General Fund assets including corporate buildings, parks, and the indoor leisure facilities for which the Council has landlord repairing responsibilities.
- 10.9 The Vehicle and Equipment Replacement Reserve provides funding for the cyclical replacement of the vehicle fleet. In 2016/2017, £1.1m is committed to fund the up-from costs of restructuring the Waste and Recycling Service, including equipping a Materials Reclamation Facility (MRF) to process recyclables.
- **10.10** The General Fund Reserve holds funds pending allocation to specific projects. It also retains a balance as a buffer against unforeseen expenditure or reductions in income as explained in section 12 below.

#### 11 Collection Fund Balance

11.1 The Council Tax Collection Fund Balance and the Non Domestic Rates Collection Fund Balance are key components of the Council Tax setting process. A principle of the MTFS is to achieve a zero balance (or as close as possible) each year. A review of the likely Collection Fund position is made at 31 March 2016 including a review of the provision for doubtful debts. **11.2** There is an estimated credit balance of £1,090,010 on the Council Tax Collection Fund which can be utilised in the 2016/2017 budget. The surplus will be redistributed to preceptors as follows:

Council Tax Collection Fund	£
East Sussex County Council	172,400
Lewes District Council	771,000
Sussex Police and Crime Commissioner	92,200
East Sussex Fire and Rescue	54,500
Total	1,090,100

**11.3** The statutory Non Domestic Rating Return (NNDR1) was due to be submitted before the deadline of 31 January 2016. The retained rates income for 2016/2017 has been estimated at £3.180m. A debit balance of £1,599,400 is estimated on the Business Rates Collection Fund at 31 March 2016 as a result of the provision needed in respect of business rates valuation appeals. The balance will be charged against the 2016/2017 budget, shared as follows:

Business Rates Collection Fund	£
East Sussex County Council	143,900
Lewes District Council	639,800
Central Government	799,700
East Sussex Fire and Rescue	16,000
Total	1,599,400

#### 12 Unallocated General Fund Reserve

- **12.1** The Council uses a risk-based approach to setting the level of General Fund Reserve Minimum.
- **12.2** As a guideline the Council should keep a minimum level unallocated General Fund Reserve of £1m.
- **12.3** This can be further analysed as:

Risk	£
Unforeseen emergencies not covered by the Bellwin Scheme, capital programme overrun and general requirements	500,000
Delays in savings and lower than expected income	400,000
General provision for service risks	50,000
Provision for contingencies to be used in accordance with Financial Procedure Rules	50,000
Total Minimum General Fund Reserve	1,000,000

The projected General Fund Reserve at 31 March 2017 is £1.5m.

## **13** Setting the Council Tax including the other preceptors

- 13.1 The calculation of the overall tax requirement will be presented to Council on 25 February 2016, when all precept details will be known. The precept details for East Sussex County Council, East Sussex Fire Authority and Sussex Police Authority should all be available before Council meets.
- **13.2** At the time of writing this report, not all Town and Parish Councils had notified the Council of their precept requirements.
- **13.3** A schedule of the 2016/2017 Special Expenses is attached at Appendix G.

#### **14** Report of the Chief Finance Officer (Director of Corporate Services)

- 14.1 The Chief Finance Officer is the Council's principal financial advisor and has statutory responsibilities in relation to the administration of the Council's financial affairs (Section 151 of the Local Government Act 1972 and Section 114 of the Local Government Finance Act 1988).
- **14.2** The budget proposals before Cabinet have been prepared in accordance with the Council's policy framework and reviewed by Corporate Directors, Heads of Service, Lead Councillors and the Scrutiny Committee.
- **14.3** Prudent use of reserves is an appropriate measure to finance one off budgets.
- **14.4** The underlying earmarked reserves will continue to be replenished from annual contributions in the base budget.
- **14.5** The earmarked reserves are not used to fund the recurring base budget or to fund initiatives that will add to the recurring base budget.
- **14.6** The commentary within this report provides a framework for achieving a sustainable medium term budget position. The level of the Council's reserves, balances and provisions are adequate and prudent for the commitments within the Medium Term Financial Strategy.
- **14.7** Should the budget be adopted by the Council be materially unaltered then In the opinion of Chief Finance Officer, the estimates used to calculate the budget are robust and the levels of reserves are adequate.

#### 15 Legal Implications

- **15.1** The requirement for financial reserves is acknowledged in statute. Sections 32 and 43 of the Local Government Finance Act 1992 require local authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating their budget requirement.
- **15.2** Chief Financial Officers also have a duty to report on the robustness of estimates and adequacy of reserves under Section 25 of the Local Government Act 2003.

**15.3** Section 151, of the Local Government Act 1972 requires that every local authority make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs.

## 16 Risk Management

- **16.1** A risk assessment in accordance with the Council's Risk Management methodology has been completed and the following significant risks and mitigating factors have been identified.
  - (a) Revenue Budgets these have been compiled in accordance with the approved budget preparation guidelines, mitigating the risk that the budgets do not reflect likely expenditure needs or income levels. Cabinet will consider the estimates and recommend an overall budget to Council, having assessed the position in relation to its approved MTFS.
  - (b) The Council has adequate Reserves and Balances established as a mechanism to support the Council through its deficit reduction programme and preparing for the future.
  - (c) Further drops in income the working balance and specific service reserves provide a buffer to absorb further falls in income and property related transactions in the short to medium term.
  - (d) As inflation begins to take effect there is every prospect that future pay settlements will follow a similar pattern. The Medium Term Budget Outlook anticipates inflation rates in line with national projections including pay and price movements through to 31 March 2020 and takes into account local circumstances.
  - (e) With the drop in world commodity and oil prices there is the potential for a deflationary period. In the worst case this could lead to negative investment interest rates and to a drop in income receipts that are driven by CPI formulae.

## 17 Equality Screening

**17.1** This is a budget report for which detailed Equality Analysis is not required to be undertaken. The equality implications of individual decisions relating to the projects/services covered in this report are addressed within other relevant Council reports and it is not considered necessary to undertake an overarching analysis of the budget proposals as a whole.

## 18 Background Papers

**18.1** Information on the Provisional Local Government Finance Settlement for 2016/2017 is available from this website: <u>https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2016-to-2017</u>

## 19 Appendices

Appendix A – Medium Term Finance Strategy – Principles and Objectives.

Appendix B – The 2016/2017 General Fund Budget Summary.

- Appendix C Variations in recurring service expenditure 2015/2016 to 2016/2017.
- Appendix D Summary of Contributions to and use of Reserves
- Appendix E 2020 Savings Plan.
- Appendix F Medium Term Budget Outlook 2016/2017 to 2019/2020
- Appendix G Special Expenses 2016/2017
- Appendix H Society of District Council Treasurers response to Government Finance Settlement consultation

## Extract From the Medium Term Finance Strategy

The Objectives of the Council's MTFS are as follows:

	Objective
1	To provide a robust framework to assist the decision making process.
2	To enable the Council to be proactive rather than reactive.
3	To act as a barometer and give early indication of need to review priorities.
4	To show how resources support the Council Plan over a four year period.
5	To support sustainable services through reserves, equalisation and renewal funds.
6	To hold a working balance at an adequate level to respond to unexpected events and opportunities.
7	To be flexible and responsive to changing needs and legislation.
8	To support the Council's service and core strategies.
9	To provide forward indications of Council Tax levels.

A number of Principles have been established to underpin the financial objectives:

	Key Principles
1	Resources will be prioritised to meet statutory (core service) obligations.
2	We will work with partners and the local community to determine priorities.
3	We will constantly review and reconcile priorities in line with the available resources.
4	Capital receipts will only be used to fund capital programmes, when banked.
5	General Fund capital receipts will be used to improve and replace existing assets.
6	Capital receipts from Council house sales will be reinvested in a housing capital programme or to improve and replace existing assets.
7	The budget for investment income will take account of specific market advice. If investment rates rise or are expected to rise, we will not use the additional income to fund items within the recurring base budget.
8	We will aim to achieve a zero balance on the Collection Fund when estimating the Council Tax collection rate each year.
9	Council Tax amounts will be transparent and sustainable. This means that the Council Tax Requirement will not be lowered through the use of one-off balances or reserves without a published intention to realign priorities with the Medium Term Financial Strategy.
10	Changes to the Council's priority programme must be reported to Cabinet and supported by a risk assessment and financial appraisal showing part year and full year costs, including the revenue consequences of any capital investment and lifetime costs.
11	Every request for capital investment must be supported by a Business Case which shows how the cost of that investment will be repaid over time.

General Fund Budget Summary	2015/16 Budget £	2016/17 Budget £	Year on year change £
Service Delivery			
Housing and Environment	3,086,600	2,587,800	(498,800)
Planning and Revenues	392,900	364,200	(28,700)
Customer Service	1,877,600	1,821,700	(55,900)
Waste and Recycling	2,511,300	2,800,400	289,100
	7,868,400	7,574,100	(294,300)
Business Strategy and Development			
Business Strategy and Performance	702,800	694,000	(8,800)
Regeneration and Investment	784,200	540,300	(243,900)
Strategic Policy	457,800	468,700	10,900
	1,944,800	1,703,000	(241,800)
Corporate Services			
Property and Facilities	507,800	456,400	(51,400)
Legal	428,600	417,400	(11,200)
Democratic Services	677,500	617,300	(60,200)
Human Resources	399,800	395,500	(4,300)
Information Technology	1,245,200	1,389,600	144,400
Finance	781,200	732,800	(48,400)
Audit, Fraud and Procurement	265,300	265,600	300
	4,305,400	4,274,600	(30,800)
Corporate Strategy and Programmes	826,700	835,700	9,000
Financing, interest, grants, etc	685,200	706,500	21,300
Recharges to the Housing Revenue Account	(3,255,400)	(3,208,000)	47,400
Reserves used to finance non-recurring expenditure	(795,800)	(490,100)	305,700
Efficiency Savings (Corporate)	(281,000)	(400,000)	(119,000)
Recurring Net Expenditure	11,298,300	10,995,800	(302,500)
Contributions to Reserves	2,466,000	2,215,500	(250,500)
Reduction in Contribution from NHB	0	(58,900)	(58,900)
Net Budget Requirement	13,764,300	13,152,400	(611,900)
Council Tox (Increase @ 1.00/) [A]	(0,000,400)	(0.000.000)	(400,000)
Council Tax (Increase @ 1.9%) [A]	(6,632,400)	(6,823,300)	(190,900)
Council Tax Collection Fund Surplus	(65,000)	(172,400)	(107,400)
Retained Business Rates Retained Business Rates Deficit on Collection Fund	(3,006,900)	(3,070,000)	(63,100)
Contribution from Uncommitted Reserve	0 0	639,800 (639,800)	639,800
Government Grants:	0	(639,600)	(639,800)
- Revenue Support	(1,704,000)	(995,000)	709,000
- New Homes Bonus	(1,376,500)	(1,592,000)	(215,500)
<ul> <li>Housing Benefit and Council Tax Support administration</li> </ul>	(484,800)	(424,300)	60,500
- Section 31 Grant	(75,400)	(75,400)	0
- New Burdens	(21,700)	0	21,700
Use of General Fund Revenue Balance	(397,600)	0	397,600
Sources of Finance	(13,764,300)	(13,152,400)	611,900
Taxbase [B]	34,979.8	35,797.1	
Aggregate Council Tax = [A] ÷ [B]	£189.61	£190.61	£1.00
			0.53%

2016/17 Recurring Net Expenditure	-	10,995,800
		(912,500)
Other net savings	(31,500)	
Change in budget for Service Priorities	(132,000)	
Net savings from new printing arrangement	(65,000)	
Increase in savings through Joint Transformation Programme	(119,000)	
2% vacancy factor on employee costs	(200,000)	
Increase in income generated from fees and charges	(80,000)	
Income generation - solar panels	(150,000)	
Phased reduction of LCTS grant to Towns and Parishes	(35,000)	
Wave Leisure service fee reduction	(100,000)	
Additional income and reduced expenditure		
		610,000
Increase in capital financing costs	100,000	
Reduced income from Recyclate sales	200,000	
Inflation on contracts	20,000	
Pension and National Insurance contributions	150,000	
Pay awards and increments	140,000	
Additional expenditure and reduced income		
2015/16 Recurring Net Expenditure		11,298,300
Variations in recurring net expenditure 2015/16 to 2016/17		£
General Fund Budget		

#### APPENDIX D

#### General Fund Reserves - projection to March 2017

		Updated Budget 2015/16			Budget 2016/17		
	Balance at	Contributions		Balance at	Contributions		Balance at
	1 April '15	& transfers	Commitment	31 March '16	& transfers	Commitment	31 March '17
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
1 Strategic Change	(2,357)	(2,786)	3,056	(2,087)	(2,346)	2,650	(1,783)
2 Asset Maintenance	(2,444)	(511)	908	(2,047)	(304)	205	(2,146)
3 Vehicle and Equipment Replacement	(2,490)	(320)	1,577	(1,233)	(320)	1,315	(238)
4 Economic Regeneration	(353)	0	220	(133)	0	60	(73)
5 Revenue Grants and Contributions	(284)	0	0	(284)	0	65	(219)
6 Unallocated	(3,680)	737	587	(2,356)	813	0	(1,543)
7 TOTAL	(11,608)	(2,880)	6,348	(8,140)	(2,157)	4,295	(6,002)

## APPENDIX E

The 2020 Savings Plan	16/17 £'000	17/18 £'000	18/19 £'000	19/20 £'000	Total £'000
Savings Requirement per MTFS	(685)	(763)	(756)	(617)	(2,821)
Wave Leisure service fee reduction	(100)	(100)	(100)	(100)	(400)
Final phasing out of LCTS grant to Towns and Parishes	(35)	(67)	(67)	(67)	(236)
Joint Transformation Programme	(400)	(400)	(400)	(400)	(1,600)
Income generation - solar	(150)				(150)
Income generation - waste and recycling		(300)			(300)
Income generation - regeneration			(300)	(200)	(500)
Total Savings Targets	(685)	(867)	(867)	(767)	(3,186)
Surplus target over MTFS requirement	0	(104)	(111)	(150)	(365)

**General Fund Budget** 

General Fund Budget				
	Base Year			
Medium Term Outlook as at February 2016	2016/17	2017/18	2018/19	2019/20
-	£	£	£	£
Recurring Net Expenditure	11,185,800	13,152,400	12,609,553	11,481,841
Pay awards and increments	140,000	140,000	140,000	210,000
Pension Contributions	50,000	50,000	50,000	60,000
Inflation on contracts	20,000	30,000	30,000	50,000
Total Budget Requirement with inflation	11,395,800			
Savings targets (corporate)	(400,000)	(762,848)	(755,712)	(617,270)
Contributions to Reserves	2,215,500		(592,000)	
Reduction in Contribution to Capital from NHB	(58,900)			
Net Budget Requirement	13,152,400	12,609,553	11,481,841	11,184,571
Council Tax	(6,823,300)	(6,993,883)	(7,168,730)	(7,347,948)
Council Tax Collection Fund Surplus	(172,400)	(65,000)	0	0
Retained Business Rates	(3,070,000)	(3,131,400)	(2,894,028)	(2,451,909)
Retained Business Rates Deficit on Collection Fund	639,800	0	0	0
Contribution from Spending Power Reserve Government Grants:	(639,800)	0	0	0
- Revenue Support	(995,000)	(370,000)	0	0
- New Homes Bonus	(1,592,000)	(1,592,000)	(1,000,000)	(1,000,000)
- Housing Benefit and Council Tax Support admin	(424,300)	(381,870)	(343,683)	(309,315)
- Section 31 Grant	(75,400)	(75,400)	(75,400)	(75,400)
Use of General Fund Revenue Balance	0	0	0	0
Sources of Finance	(13,152,400)	(12,609,553)	(11,481,841)	(11,184,571)
Assumed Council Tax Increase	1.9%	2.0%	2.0%	2.0%
Assumed Increase in Council Tax Base		0.5%	0.5%	0.5%

#### Town/Parish Area Special Expenses - Site Listing

	2015/16 £	2016/17 £	Change
Lewes			
Barons Down	83	80	-3
Bell Lane	8,160	8,190	30
Castle Banks	417	420	3
Grange Road	19	20	1
Jubilee Gardens	1,238	1,240	2
Landsdown Place	161	160	-1
Lewes Library Site	706	710	4
Lewes Railway Land LNR	32,954	35,260	2,306
Malling Railway Cutting	785	790	5
Malling Street	7,781	7,810	29
Phoenix Causeway / Little East Street	14,233	14,290	57
Southover Grange Gardens	90,120	90,860	740
The Gallops	3,762	3,780	18
Timberyard Lane	1,076	1,080	4
Valence Road	320	320	0
Waite Close	781	780	-1
Watergate Lane	76	80	4
Stanley Turner	76,633	67,970	-8,663
Convent Field	74,360	64,880	-9,480
Sub-total	313,665	298,720	-14,945
Newhaven			
Avis Road Rec (to be devolved)	7,960	0	-7,960 D
Castle Hill, Newhaven	1,345	1,350	, 5
Court Farm Road Island	364	370	6
Denton Island	12,769	12,820	51
Drove Park (to be devolved)	1,462	0	-1,462 D
Huggets Green (West Quay)	6,645	6,670	25
Meeching Down Open Space	9,727	9,770	43
Newhaven Town Centre	4,708	4,730	22
Riverside Park (to be devolved)	393	0	-393 D
Valley Road / Parkour ( (to be devolved)	4,650	0	-4,650 D
West Quay (South) Open Space	721	720	-1
Denton Rec (to be devolved)	7,213	0	-7,213 D
Eastside Rec (to be devolved)	31,375	0	-31,375 D
Fort Road Rec, Outdoor Gym and Skate park	63,219	62,200	-1,019
Sub-total	152,551	98,630	-53,921
Telscombe	•••		-
Fairlight Avenue	28	30	2
Telscombe Cliff tops	18,495	18,570	75
Telscombe Playing Fields	33,041	32,830	-211
Sub-total	51,564	51,430	-134

#### Town/Parish Area Special Expenses - Site Listing

	2015/16 £	2016/17 £	Change
Seaford			
Alfriston Road OS	675	680	5
Anthonys Close	345	350	5
Aquila Park	485	490	5
Bowden Rise	1,399	1,400	1
Brickfields, Seaford	1,266	1,270	4
Chalvington Close Verge	593	600	7
Chalvington Field	12,142	12,190	48
Foster Close OS	775	780	5
Hurdis Road	1,307	1,310	3
Katherine Way Open Space	1,790	1,800	10
Micklesfield OS	4,777	5,530	753
Normansal Park OS	1,585	1,590	5
Rookery Way	705	710	5
Seafield Close	811	810	-1
St. Crispians	7,125	7,150	25
Valley Dip Play Area	3,945	3,960	15
Downs Rec	13,839	13,920	81
Sub-total	53,564	54,540	976
Peacehaven			
Firle Road Walkway	1,890	1,900	10
Lake Park	3,404	3,420	16
Meridian Park	16,516	16,590	74
Peacehaven Cliff Tops	17,582	17,660	78
Sub-total	39,392	39,570	178
Chailey			
The Martlets, South Chailey	1,068	1,070	2
Hamsey			
The Malthouse, Cooksbridge (to be devolved)	185	0	-185 D
TOTAL	611,989	543,960	-68,029

D = Special Expenses will not be charged in 2016/2017 as a result of the devolution of these sites.

Following devolution, the Town/Parish Councils will bear the cost of managing and maintaining the sites as part of their own budget requirements.



## SOCIETY OF DISTRICT COUNCIL TREASURERS

President: Norma Atlay, CPFA

Date: 15 January 2016

Dear Sir,

# The provisional Local Government Finance Settlement 2016/17 and an offer to council for future years

This letter is in response to the consultation document published by the DCLG on 17 December 2015 regarding the provisional LG Finance Settlement. The Society of District Council Treasurers has a membership of 182 Chief Financial Officers from district councils nationally. The response to this consultation seeks to represent the views of the membership of the Society.

The Society has not responded to all the questions as set out in the consultation document unless appropriate to do so as we recognise the individual districts will have differing views on some of the issues. We have set out our position on some of the key themes coming out of the provisional settlement and trust our comments will be considered as part of the final settlement.

#### New Homes Bonus

We welcome the Governments decision to continue with the existing NHB scheme in 2016/17 until such time as the consultation on 'sharpening the incentive' is complete. This also sees the full six year commitment honoured which has made changes to other funding streams more palatable albeit for 2016/17 only.

The four year forecast figures provided by the Government are somewhat misleading as they do not take account of the potential outcome of the proposals set out in the consultation document and so for these figures to be used in our medium tern financial planning would be reckless.

We will respond in far more detail to the New Homes Bonus consultation but clearly, what is proposed, will have a dramatic impact on the finances of many district councils finances and will undoubtedly see some district councils fail.

Many districts will have been forced to use NHB to support 'normal' service delivery in response to the significant reduction in RSG in previous years. We fully understand the pressures of adequately funding Adult Social Care but this is quite clearly a national issue as a result of an ageing population for which additional funding must be found. We strongly disagree that this funding comes from NHB to the extent proposed. There are numerous examples of district councils doing their bit to support the Government with the delivery of new affordable homes. All this will stop as councils shore up their finances to protect front line services

Calculations of Core Spending Power include the over inflated estimates of New Homes Bonus in future years and if adjusted to reflect the Governments preferred options as set out in the consultation document, the potential impact on district councils would be very evident.

The SDCT would suggest that:

 given that the consultation on NHB doesn't close until March, the government's consultation response and final proposals are issued without delay after that to give local authorities as much time as possible to plan for these changes as part of their MTFS reviews and budget setting process for 2017/18. There are a lot of different options, some of which would have a significant impact on income e.g. for those authorities that don't have a local plan in place.

#### Revenue Support Grant

Most councils will have forecast a significant reduction in their RSG estimates with the expectation that this core funding will have all but ceased by 2019/20. It is fair to say that we were not prepared for the significantly more dramatic reduction in RSG set out by the Government and the introduction negative RSG shown as a 'tariff'.

There are some district councils who will not receive any RSG as early as 2017/18 and incur a tariff. Four times as many councils will be affected by 2018/19 and by 2019/20, over 80% of districts will be contributing £153m to other tiers of local government.

This is as a direct result of the changes made to allocation of central funding in 2016/17 and adding council tax yield into the equation. Quite clearly, those councils with higher tax bases and above average council tax rates will be penalised.

In previous settlements, where there has been a significant shift in the allocation of funds, some damping has been applied to mitigate the impact for those most adversely affected. We note there is no indication that this will be applied to the proposed settlement.

The Government should note that whatever funding gap district councils had previously forecast for future years which brought about the need to accumulate balances will be significantly greater if no change is made to the proposals. The Governments aim of getting councils to use their balances will have been achieved and then what?

It appears to be the case that the Government places little value on the essential services provided at a local level by district councils. It is of the view that such a squeeze on the finances will force districts to look to their upper tier councils to form other organisational structures that will absorb these functions and services and provide them more efficiently without the Government being asked to fund reorganisation.

It should also be acknowledged that many district councils also provide some Adult Social Care services for example, meals on wheels and community alarm services. District Councils also provide parks, open spaces and leisure facilities which contribute to general well-being and allow residents to remain independent for longer. If such were to cease, greater pressure would be placed on upper tier council budgets in the longer term.

Much is said about streamlining" back office" services but this is already being done and there are many examples of formal sharing of services or informal Page 50 of 114

collaborations which have delivered tangible savings. It should, however, be borne in mind that after years of efficiency and streamlining services, the front line services we seek to protect need support services at current levels to enable them to function effectively.

The SDCT would suggest that:

- The Council Tax Yield estimates are adjusted to reflect more realistic growth
- That damping is applied to the calculation of RSG to protect those councils adversely affected by the changes to the calculation of RSG allocations

## Council Tax Increases

We welcome that the Government is allowing districts with lower quartile council tax rates to increase council tax by more than 2% but question how £5 has been arrived at and why this flexibility is limited to lower quartile authorities. This also penalises those local authorities that may have a higher Band D Council Tax level but a lower average Council Tax due to having the majority of properties at lower bands, which reduces their tax raising ability.

It seems to be an unnecessary bureaucratic device and the public locally find it bizarre that central government should concern itself which such tiny monetary values and micro-managing what is probably the most democratically set tax in the country. Given the other dramatic cuts to funding in RSG and NHB, councils must be given the freedom to set the council tax level locally based on local need and local understanding of the services and demands on those services.

The SDCT would suggest that:

- If the amount is to remain at £5, this flexibility to raise council tax by the greater of £5 or 2% should be for all councils.
- Councils should be free to set Council tax at the level local politicians are prepared to support in order that they can deliver the services the local electorate desire.

## **Council Tax Assumptions**

In future years, the Governments calculation of Core Spending Power includes assumptions on council tax growth which are flawed. There is implied tax base growth of 2% per annum in the calculation of Core Spending Power as opposed to 0.8% historical annual growth.

The calculations are based on average growth between 2013/14 and 2015/16 which will have seen a certain amount of distortion and flux with the introduction of Local Council Tax Support schemes. Different councils will have introduced new schemes and changes to schemes in different years in response to previous finance settlements to offset the loss of funding for LCTS. Council tax bases will have increased not due to growth, but due to lower discounts being awarded to offset loss of funding.

The SDCT would suggest that:

• the Government use the OBR forecasts of tax base growth as in previous years.

#### **Business Rates**

The settlement documents show a significant increase in forecast business rates income between 2016/17 and 2017/18, which is due to a government assumption about a reduction in appeals following the revaluation. If this estimate is inaccurate this will lead to an even greater reduction in overall funding for local authorities.

The SDCT would suggest that:

• the government reviews these forecasts and provides some commitment to revisit the funding total if appeals are greater than forecast.

#### Transfers of Funding into the Settlement

We welcome that a number of funding streams are proposed to be included in the settlement but in doing so, they are subject to the reduction in RSG and for many districts paying tariffs in future years, will not see the benefit of this for very long.

There is also concern that the funding for Local Council Tax Support is no longer in the settlement and so councils are no fully funding this discount scheme. If this is the case, councils should be given far greater flexibility on the design of their local scheme. District Councils will no longer be in a position to pay the parish and town councils their share if we are no longer receiving it.

The SDCT are suggesting that the Government review this and that as a local council tax discount scheme, the protection for pensioners is removed and councils can have complete flexibility in the discounts given including those to single occupiers.

#### Four-year settlements: an offer to all councils

The Government are aware that councils have been calling for multi-year settlements since we stopped receiving them. Our ability to plan and make long term decisions has been severely hampered by the constant uncertainty and trying to second guess what policy may be applied to determining finance settlements each year.

SDCT welcome the 'offer' but question why there needs to be strings attached and what the consequences are of not accepting the offer given the impact the provisional figures will have on our finances.

Accepting the offer implies acceptance of the figures despite the concerns expressed in this response about the Governments methodology. More information is needed about the benefits and risks of accepting this offer and the implications of not.

Councils will have efficiency and savings plans in place, many of which will need revisiting in light of this settlement. It is unlikely that councils will be in a position to demonstrate how they will manage the budget deficit opening up over their medium term financial plans for some time and in the mean time, general fund balances and reserves will no doubt have to be used. We will need to understand what the Government expects to see in term of an efficiency plan before decisions can be made about accepting this offer.

#### Conclusion

All local authorities understand the Government's need to address the level of public spending and all have played a part in the delivery of significant savings Page 52 of 114

over many years whilst protecting frontline public services. Our ability to keep doing this over many more years is diminishing.

We also accept that whatever methodology is used, there will be winners and losers but much of this is made easier if we understand the rationale and that the system is fair and transparent. We would welcome more transparency in understanding how some of the figures in this settlement have been arrived at and for the government to demonstrate how 'need' has been taken account of.

We hope the comments we have made in this response will inform the final settlement and that the Government will give serious consideration to the points we have made about our ability to raise income from council tax and fees and charges.

SDCT Executive

Agenda Item No:	9.4	Report N	o: 25/16		
Report Title:	Housing Revenue Account	Budget 20	16/2017		
Report To:	Cabinet	Date:	8 February 2	016	
Cabinet Member:	Councillor Ron Maskell				
Ward(s) Affected:	All				
Report By:	Gillian Marston, Director of Service Delivery				
Contact Officer(s):					
Name(s):	Stephen Osborne				
Post Title(s):	Principal Accountant				
E-mail(s):	stephen.osborne@lewes.go	<u>ov.uk</u>			
Tel No(s):	01273 471600				

#### **Purpose of Report:**

This report presents the Housing Revenue Account Budget 2016/2017.

## **Officers Recommendation(s):**

That Cabinet reviews the Housing Revenue Account Budget and approves recommendations 1, 2, 3, 4, 5, 6 and 7.

- 1. The budgets for 2016/17 (Appendix 1 of this report).
- **2.** A reduction in dwelling rents of 1%, effective from 4 April 2016. (Section 9 of this report).
- **3.** A reduction of 1% in Affordable Rents, effective from 4 April 2016 (Section 10 of *this report*).
- **4.** An average garage rent increase of 1.4%, effective from 4 April 2016. *(Section 11 of this report)*. This is in line with the Business Plan and current Council policy on garage rentals.
- **5.** An increase of 0.9% in Private Sector Leased Property rents, effective from 4 April 2015 (Section 12 of this report).
- 6. Implement revised Service Charges, effective from 4 April 2016 (Sections 13 to 18 of this report).
- 7. The 30-year Housing Business Plan is refreshed in 2016/2017.

## Reasons for Recommendations

**1.** To enable the Council to fulfill its legal obligations to produce a balanced Housing Revenue Account for 2016/2017.

## Information

- 2. Introduction
  - **2.1.** The national Housing Revenue Account self-financing system allows all income generated to be kept locally and available to fund the maintenance and management of the housing stock, service debt and acquire and provide additional Social Housing.
  - **2.2.** Part 4 of the Housing and Planning Bill 2015 proposes:
    - To give councils a duty to consider selling high-value homes and require them to make payments to central government calculated on the assumption that such homes will be sold as they become vacant;
    - To require councils, along with housing associations, to charge market or near-market rents to tenants with household incomes above £30,000 a year (£40,000 in London);
    - To require councils to issue 2 to 5 year fixed term tenancies to nearly all new tenants.

These measures are expected to be introduced from 1 April 2017. The proposals are at an early stage, and it is not yet possible to evaluate the financial impact on the Housing Revenue Account with any certainty. The measures are likely to increase costs and reduce income, putting further pressure on the Housing business plan.

- **2.3.** The budgets have been prepared on the basis of the national Housing Revenue Account Accounting Code of Practice, with management, maintenance and debt financing costs offset by income from rents, service charges and other contributions.
- 3. Budget Information
  - **3.1.** The Housing Revenue Account Budget 2016/2017 reflects the organisational change taking place within the Council, the Government's proposed new policy on dwelling rents and the new priorities for capital and maintenance works. The budget does not include a contribution to finance the capital programme, and shows a total estimated balance in hand at year end of £2,458,112.
  - **3.2.** A provision has been made for movements in the pay bill in line with the expected national settlement. Salary budgets also allow for contractual

salary increments, employers pension contributions, organisation change and a 2% vacancy rate.

- **3.3.** The budgeted employer's pension contribution rate for 2016/2017 is the same as that proposed by the actuary following the three yearly review of the East Sussex Pension Fund, which was finalised in December 2013.
- **3.4.** Inflation has been provided to cover known price changes, such as utility and contractual commitments. In addition, the noted items in 3.5 to 3.7 have been provided in the budget.
- **3.5.** It is essential that the long-term Business Plan is updated with current information on the condition of the housing stock. This allows expenditure on future major repairs and replacements to be synchronised with available resources. A provision of £457,000 for a stock condition survey and associated administration was included within the 2015/2016 supervision and management budget. The results of the survey will be used to inform a full update of the 30-year Business Plan, which will also reflect the impact of the Government reforms explained in this report.
- **3.6.** The planned and responsive maintenance budget allows for an increase of £437,200. This allows for the increase in costs forecasted by the Royal Institution of Chartered Surveyors (RICS) and the review of planned and responsive maintenance and works to void properties.
- **3.7.** The Council continues to replace old electric storage heating with sustainable air source heat pump heating systems. These warm centrally heated homes can achieve electricity savings of up to 40%. The completed systems attract Renewable Heat Incentive payments which are calculated on the savings expected for each individual property (on average £100 per quarter, for seven years).

The anticipated income is £120,000 (2015/2016 & 2016/2017), which has been included in the budget and added to the Working Balance (Special Projects).

#### **Budget Presentation**

- 4. Budget Layout
  - **4.1.** The budget layout complies with national accounting requirements and includes explanatory notes within the body of the budgets. An explanation of items included within the expenditure headings is given below.
    - a) Employees Includes the salary costs of the Council's workforce directly providing the service. This heading includes employee related insurance premiums.
    - b) Premises Includes the costs associated with buildings such as repairs and maintenance, upkeep of grounds, energy, and water charges.

- c) Transport Running costs of council owned vehicles together with employee car allowances and use of public transport.
- d) Supplies and Services Day to day running costs such as printing, stationery, telephones, external professional services and administrative overheads in respect of employees who directly provide the service.
- Agency and Contracted Services Where a contractor wholly undertakes the provision of a service, the costs will be shown against this heading.
- f) Support Services This heading includes costs such as accountancy, legal, and IT services (e.g. hardware, software and operational systems).
- g) The Housing Revenue Account Budget is set out at Appendix 1.

## Housing Revenue Account Debt

- 5. Housing Debt and Debt Ceiling
  - 5.1. The Government continues to maintain control of borrowing for local authority housing. The Council's successful bid to Government for additional borrowing of £2.317m, to finance the construction of thirty new dwellings, increased the Housing Revenue Account 'Debt Cap' to £75.248m.
  - **5.2.** The Council's Housing Revenue Account borrowing is now capped at £75.248m. Actual borrowing at 1 April 2016 is projected to be £63.980m, leaving borrowing headroom of £8.951m, as shown in Table 1.
  - **5.3.** The HRA Capital Financing Requirement is met by a combination of loans, as summarised in Table 1. This assumes that no premature loan repayments are made before 31 March 2016.
  - **5.4.** The Public Works Loan Board (PWLB) loan interest rate is the average interest rate payable on a combination of individual loans with varying maturity dates. A fixed rate of interest applies to the Barclays Bank loan. The internal borrowing (from the General Fund) interest rate is equivalent to the indicative PWLB one year rate. The approach that is taken on internal borrowing is specified within the Council's Treasury Management Strategy.

#### TABLE 1

	Loans 1 April 2016 £	Interest Rate %	Interest Amount £
Public Works Loan Board	51,673,000	2.9264	1,512,200
Barclays Bank	5,000,000	4.5000	225,000
Internal Borrowing from General Fund	7,307,228	1.4400	120,100
Total Debt	63,980,228	2.8838	1,857,300
Increase Approved by DCLG (New	Г		
Dwellings Construction)	2,317,090		
Debt Headroom	8,950,772		
Debt Allocation & Debt Cap	75,248,090		

#### The Budget 2016/2017

- 6. The Major Repairs Reserve
  - **6.1.** It is essential that there are sufficient resources set aside within the Housing Revenue Account for the long term maintenance and renewal of the housing stock. This is achieved by setting aside in the Major Repairs Reserve the amount charged to the Housing Revenue Account as depreciation each year.
  - **6.2.** Authorities are expected to use the Major Repairs Reserve in line with the priorities and phasing set out in the Business Plan and maintain the decent homes standard, rather than fund the acquisition of new assets.
  - 6.3. The projected movements on the Major Repairs Reserve are shown in TABLE 2 below. The amounts shown for 2015/2016 differ from the original budget having been updated to take into account the revised Capital Programme and depreciation calculated on the actual value and components of the housing stock at 1 April 2015.

TABLE 2					
	2014/15	2015/16	2016/17	2017/18	2018/19
	£	£	£	£	£
Balance 1 April	1,423,858	1,112,431	743,857	642,757	251,657
Depreciation	4,579,000	4,912,100	4,953,900	4,943,900	4,953,900
Capital Programme	(4,890,427)	(5,280,674)	(5,055,000)	(5,335,000)	(4,955,557)
Balance 31 March	1,112,431	743,857	642,757	251,657	250,000

**6.4.** Cabinet will consider the use of the Major Repairs Reserve and the level of balance required for the immediate future as part of its capital programme recommendations. Tenant representatives are consulted on the use of the Reserve.

- 7. Working Balance
  - **7.1.** The HRA Business Plan has a planned general Working Balance of £1.5 million. This position allows for a buffer against unforeseen events with an impact on expenditure or income in the year.
  - **7.2.** In addition to the General element of the Working Balance, amounts are held to fund potential costs in future years. TABLE 3 draws together all the earmarked components of the HRA working balance and shows the projected Working Balance at 31 March 2016.
  - **7.3.** The Special Projects element of the working balance is available to fund the HRA share of the Service Transformation/Integration Programme and staff redeployment.

Working Balance Allocation	Actual 2014/15	Original 2015/16	Projected 2015/16	Budget 2016/17
	£	£	£	£
General Working Balance	1,300,083	1,500,000	1,040,742	1,500,042
Capital Expenditure	112,247	-	-	-
Budget Carry Forwards	319,418	-	-	-
Service Charges	74,464	-	-	-
Special Projects	556,700	742,810	623,070	683,070
Self-Insurance	275,000	275,000	275,000	275,000
Total Working Balance	2,637,912	2,517,810	1,938,812	2,458,112

- 8. The Revenue Budget 2016/2017
  - **8.1.** Income in 2016/2017 exceeds expenditure by £519,300, which will be credited to the Working Balance. The major variations for 2016/2017 are analysed below in TABLE 4.

TABLE 4			
	Budget		Budget
Budget Variations	2016/2017	Budget Variations	2016/2017
	£'000		£'000
	101		
Original Budget Deficit 20/15/2016	491	Repairs and Maintenance	(10)
		Employees, Central Support, Admin	(16)
Dwelling, Land & Building Rents	175	Planned Repairs	(304)
Charges for Services	(72)	Responsive Repairs	236
ESCC Supporting People	147	Void Property Repairs	505
Community Amenities Contribution	3		
		Rents & Rates	(1)
Supervision & Management		Supporting People Protection	(15)
Employees, Central Support, Admin	16		
Professional Services & Advice	(482)	Depreciation of Fixed Assets	533
Tenants Incentive Scheme	(49)	Contribution to Capital Programme	(820)
Lifeline	(4)	Repayment of Internal Borrowing	(893)
		Interest on Borrowing	21
Special Services		Investment Income	(6)
Employees, Central Support, Admin	5		
Lifts	(20)	Debt Management Charges	4
Sheltered Alarm Systems	6		
Caretaking & Cleaning	36	Net Variation	(1,010)
Grounds Maintenance	9		,
Heating & Lighting Energy	(24)	Projected Net Deficit (Surplus)	(519)
		Projected Balance 1 April 2016	(1,939)
			(,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
		Estimated Balance 31 March 2017	(2,458)

- 9. The Rent Decisions
  - **9.1.** The Welfare Reform and Work Bill 2015 has a provision requiring local authority and housing association rents to be reduced by 1% per year for 4 years, starting in April 2016.
  - **9.2.** The Bill is progressing through Parliament and there are many points still to be clarified with regard to the detailed operation of the proposals, particularly with regard to new tenants moving to target rents.
  - **9.3.** The budget has been prepared on the basis of an overall 1% reduction in dwelling rents from 4 April 2016.
  - **9.4.** Projected Rents (Based on December 2015 Data) are shown in TABLES 5 & 6.

TAE	BLE 5			TABLE 6		
	Dwelling Type	Average Rer 2015/16 £	•	Dwelling Type	Average 2015/16 £	Weekly Rent 2016/17 £
1 2 3 4 1 2 3 4 5 6	Bedsits Bedroom Flat Bedroom Flat Bedroom Flat Bedroom Flat Bedroom House Bedroom House Bedroom House Bedroom House Bedroom House Bedroom House	61.66 73.78 83.23 88.67 99.50 83.11 96.37 107.33 115.50 119.31 135.08	61.04 73.05 82.40 87.78 98.50 82.28 95.41 106.25 114.35 118.12 133.73	All Bedsits All Flats All Houses All Dwellings	61.66 76.79 100.96 <b>90.31</b>	61.04 76.02 99.95 <b>89.41</b>

#### **10.** Affordable Rents

- 10.1. The Council has acquired two properties under the Mortgage Rescue Scheme, as facilitated by Moat Homes Ltd (MOAT). The rents on these properties are set as Affordable Rents, which are based on 80% of the monthly Market Rent. The agreements provide that the rents will increase in April each year by the Retail Price Index (September RPI (0.9%) plus 0.5%). However, these rents will be subject to the 1% reduction proposed by the government.
- **10.2.** The reduction in affordable rents in 2016/2017 will be 1%.

## **11.**Garage Rents

- **11.1.** Garage Rents are not within the scope of formula rents. It is left to each Council to formulate its own policy on garage rents.
- **11.2.** The Council has undertaken a continuing programme of refurbishment works to council garages. In approving the refurbishment programme, Cabinet agreed that garage rents should reflect the local garage rental market.
- **11.3.** A market review of garage rents is undertaken every five years and in November 2015, District Valuer Services undertook a review of market rents. The results of the review are shown in Table 7. Following a market review, garage rentals are uprated each subsequent year by September RPI.
- **11.4.** TABLE 7 sets out the weekly market rents for garages.

	Full Market Rents Overall	Rents 2015/16	Rents 2016/17	Rent Incre	ase
	£	£	£	£	%
Lowest	11.63	11.38	11.63	0.25	2.2
Average	16.50	16.27	16.50	0.23	1.4
Highest	17.25	17.16	17.25	0.09	0.5

#### **12.** Private Sector Leased Property Rentals

- **12.1.** The Council's private sector leasing (PSL) scheme falls outside the scope of formula rents and is accounted for in the General Fund. The properties are leased from owners/landlords for a three-year period and sub-let to homeless families. There are currently twelve properties within the scheme.
- **12.2.** The annual rent increase, if any, to owners is dealt with in the head lease.
- **12.3.** The Council's policy is to increase PSL rents each April by the September RPI inflation factor, which is 0.9% for 2016/2017.

#### The Service Charges Decisions

- **13.** The Special Services Charge
  - **13.1.** Following the review of the Communal Service Charge (Section 14), the Special Services Charge will be withdrawn from 4 April 2016.
- **14.** The Communal Service Charge
  - **14.1.** A review of the Communal Service Charge has been undertaken with the aim of aligning the charges for tenants with those of leaseholders; reflecting the organisational change within the Council and the new contracts for grounds maintenance and communal cleaning.
  - **14.2.** The charge recovers the cost of communal services provided to general needs flats. The services include grounds maintenance, maintenance of lifts, caretaking and cleaning, door entry and alarm systems, TV aerials, laundry services and communal lighting.
  - **14.3.** The average service charge is £5.35, with the lowest at £0.87 and the highest at £18.59. The variations are shown in Table 8.

TABLE 8				
	Properties	Minimum	Average	Maximum
		£	£	£
Reductions	149	0.01	1.81	3.83
Increases up to £3	655	0.05	1.41	2.99
Increases over £3	374	3.01	5.25	13.33
Average		2.22	2.22	3.83
Total	1,178			

- **14.4.** The new charges will be implemented from 4 April 2016. It is proposed that all reductions (149 cases) be implemented in full and that increases for the remainder be capped at £3 per week. This approach mirrors that which has been used in 2015/2016 to cap rent increases for those properties which are below target rents.
- **14.5.** The communal element of the service charge is eligible for housing benefit.
- 15. The Homeless Accommodation Service Charge
  - **15.1.** The service charge relates to the facilities provided at homelessness properties held within the Housing Revenue Account.
  - **15.2.** The Homeless Accommodation Service Charge for 2016/2017 has been reviewed, in accordance with agreed Council practice, to reflect the proposed budget. The communal element of the service charge is eligible for housing benefit.
- 16. The Supported Housing Service Charge
  - **16.1.** A review of the sheltered housing service is nearing completion and will reflect the organisational change within the Council and the likely withdrawal of East Sussex County Council from the Supporting People service (Section 17).
  - **16.2.** The current service charge has been updated to reflect the 2016/2017 budget to achieve full cost recovery. When the service review is complete a revised service charge will be introduced to reflect the redesigned service.
  - **16.3.** The communal element of the service charge is eligible for housing benefit.
- 17. The Supporting People Service Charge
  - **17.1.** East Sussex County Council currently makes a financial contribution towards the cost of providing the Supporting People service to eligible tenants. The agreed contribution is £10 per week per unit. The number of tenants eligible for support is capped at 307 units.

- **17.2.** Eligible tenants in receipt of the support package receive financial support from the County Council. Where there is no entitlement to financial support, tenants are required to pay the full support charge from their own resources.
- **17.3.** Tenants who are not eligible for support from the County Council but were tenants at the start of the new scheme (April 2003) are entitled to full protection until such time as their tenancy is terminated. This is a charge on the Housing Revenue Account.
- **17.4.** East Sussex County Council has indicated that they are minded to withdraw financial support for the scheme from May 2016. The loss of income to the Housing Revenue Account is £160,000 per annum. A review of the support service is progressing and proposals for a redesigned service and new associated service charge will shortly be introduced.

## **18.**Other Service Charges

**18.1.** All other service charges have been updated to reflect the 2016/2017 budget and achieve full cost recovery. This charge includes sundry charges for digital television reception, residual lifeline services and domestic cookers provided at certain properties.

## The Capital Programme

- **19.** The capital programme is restricted to the amount of funding available from four major sources.
  - *Prudential Borrowing.* Any borrowing to fund additions or improvements to the stock must be affordable to the HRA. The borrowing must not take the total debt above the cap of £75,248,090 (paragraph 5.4 TABLE 1).
  - The Major Repairs Reserve (paragraph 6.3 TABLE 2).
  - *Capital Receipts.* As an indication, in the first six months of 2015/2016, the proceeds from the sale of three dwellings amounted to £365,100, which have been allocated, in accordance with statutory requirements, for four purposes.
    - (i) To finance Non-HRA capital expenditure (£68,240);
    - (ii) To repay HRA borrowing, in accordance with the self-financing settlement (£21,631);
    - (iii) To pay the Government its prescribed share, (£172,932);
    - (iv) To fund new affordable housing, in accordance with the Government '1-4-1 retained receipts' scheme introduced in April 2012 (£102,297).
- **20.** Retained receipts from Council House Right to Buy Sales must be spent on new affordable housing, but can only be used to fund a maximum of 30% of the cost of the new homes within a rolling 3-year period. Any unused receipts must be returned to the Government with interest. The retention scheme was implemented

on 1 April 2012 and since that date receipts with a total value of  $\pounds$ 1.871m have been initially retained requiring spending of  $\pounds$ 6.236m on new affordable homes. Of this amount,  $\pounds$ 1.670m has been spent to date and  $\pounds$ 3.817m has been committed towards the construction of 30 new dwellings on former garage sites, referred to elsewhere in this report.

- **21.**Capital Requirements for the next three years are shown in TABLE 10. This is based on historic stock condition survey data and will be revised when information becomes available from the survey currently being commissioned.
  - **21.1.** TABLE 9 shows those items within the approved 2015/2016 Capital Programme relating to those services covered by the Housing Revenue Account. Following a review of HRA capital investment, around £2m is likely to be deferred to 2016/17. In addition, a further £3.5m in respect of the construction of new dwellings will be deferred to 2016/2017.

ABLE 9				
		Approved	Approved	Revised
Line		Programme	Programme	Programme
No		2015/16	Variations	2015/16
		£	£	£
1	HOUSING INVESTMENT CAPITAL PROGRAMME			
2	Construction of New Dwellings			
3	- Balcombe Road, Peacehaven	759,830		759,830
4	- Grassmere Court, Telscombe Cliffs	506,550		506,550
5	- Headland Way, Peacehaven	506,550		506,550
6	- Hythe Crescent, Seaford	235,340		235,340
7	- Rectory Close, Newhaven	1,013,110		1,013,110
8	- Valley Road, Newhaven	506,550		506,550
9	- Waldshut Road, Lewes	289,160		289,160
10	- Robinson Road - Project Development		280,000	280,000
11	Improvements to Stock			
12	- Kitchen & Bathroom Renewals	600,000	26,577	626,577
13	- Heating Improvement Programme	1,000,000		1,000,000
14	- Electric Heating Sustainable Replacement	1,200,000		1,200,000
15	- Window & Door Replacement Programme	600,000	7,685	607,685
16	- Rewiring Programme	100,000		100,000
17	<ul> <li>Roofing &amp; Chimney Works</li> </ul>	650,000		650,000
18	- Structural Works	105,000	17,528	122,528
19	- Minor Insulation & Other Sundry Housing Works	70,000	(30,327)	39,673
20	- Fire Precaution Works	300,000		300,000
21	Digital TV Aerial & Cabling Works		33,000	33,000
22	Adaptations for Disabled Tenants	350,000		350,000
23	Environmental Improvements	120,000		120,000
24	Housing Estates Recreation and Play Areas	50,000		50,000
25	Rooms in Roof Conversions	150,000		150,000
26	Door Entry Security Systems	50,000	57,784	107,784
27	Right to Buy Buy-Back Scheme	185,000		185,000
28	Total HRA Housing Capital Programme	9,347,090	392,247	9,739,337
29	CAPITAL PROGRAMME FUNDING			
30	Borrowing	2,502,090	-	2,502,090
31	Capital Receipts	1,500,000	(20,000)	1,480,000
32	HRA Major Repairs Reserve	4,525,000	755,674	5,280,674
33	GRA Asset Maintenance Reserve	-	6,573	6,573
34	HRA Revenue Account	820,000	(350,000)	470,000
35	TOTAL CAPITAL PROGRAMME	9,347,090	392,247	9,739,337

## TABLE 9

- **21.2.** Capital schemes in respect of private sector housing or housing association schemes are within the General Fund Housing Investment Capital Programme.
- **21.3.** This approach is adopted because some of the resources which are available to the Council to fund the Capital Programme can be used on either the General Fund or Housing Revenue Account, for example capital receipts, whereas other resources can only be used for HRA purposes. Cabinet agrees the split of the shared resources, according to its overall priorities for capital expenditure.
- **21.4.** The proposed programme for the three-year period 2016/17 to 2018/19 is shown in TABLE 10 below. It assumes the Council undertakes prudential borrowing of £13,379,000; utilises the Major Repairs Reserve of £15,343,900 and makes a revenue contribution to the capital programme of £381,100.
- **21.5.** The proposed programme includes £12.8m for the New Homes project, allocated to the two years 2017/18 and 2018/19 when the majority of development costs can be expected to be incurred. This is illustrative and the actual allocation of costs between years (including 2016/17) will be refined as schemes progress.

Ref	HRA Investment Capital Programme	2016/17	2017/18	2018/19
Rei		£	£	£
1	New Homes			
1	New Homes	-	3,883,000	8,921,000
2	Improvements to Existing Stock	4,000,000	4,380,000	4,380,000
3	Other Works			
4	Adaptations for Disabled Tenants	415,000	350,000	350,000
5	Lift Upgrades & Replacement	120,000	135,000	135,000
6	Security Systems Replacement	20,000	20,000	20,000
7	Communal TV Aerials Replacement	35,000	35,000	35,000
8	Rooms in Roof Conversions	165,000	165,000	165,000
9	Roads, Paths & Engineering	200,000	150,000	150,000
10	Environmental Improvements	50,000	50,000	50,000
11	Recreation & Play Areas	50,000	50,000	50,000
12	Buy Back of Right to Buy Properties	185,000	195,000	195,000
13	Total	5,240,000	9,413,000	14,451,000
14	Funding			
15	Borrowing	185,000	4,078,000	9,116,000
16	Major Repairs Reserve	5,055,000	5,335,000	4,953,900
17	Revenue Account Contribution	_	-	381,100
18	Total	5,240,000	9,413,000	14,451,000

- 22. Tenant Consultation
  - **22.1.** An integral part of the Budget process is a constructive dialogue with The Tenants of Lewes District Group (TOLD). This year the Council has been in ongoing discussions with TOLD regarding the Revenue Budget and Capital Programme.

#### **Financial Implications**

23. These are included in the main body of the report.

## **Risk Management Implications**

- **24.** I have completed a risk assessment in accordance with the Council's Risk Management methodology and the following risks and mitigating factors have been identified.
  - **24.1.** The Revenue Budget has been compiled in accordance with the approved budget preparation guidelines, mitigating the risk that the budgets do not reflect likely expenditure needs or income levels.

## **Equality Screening**

**25.** This is a budget report for which detailed Equality Analysis is not required to be undertaken. The equality implications of individual decisions relating to the projects/services covered in this report are addressed within other relevant Council reports and it is not considered necessary to undertake an overarching analysis of the budget proposals as a whole.

## **Legal Implications**

**26.**None arising from this Report

## Background Papers

The Housing and Planning Bill 2015 The Welfare Reform Bill 2015

## Appendices:

Appendix 1 – Housing Revenue Account Budget 2016/2017

LINE NO.	SUMMARY	2015/16 BUDGET £	2016/17 BUDGET £
1	Rental Income	15,465,200	15,290,300
2	Charges for Services	1,084,200	1,156,000
3	Contributions towards Expenditure	200,600	53,300
4	Community Amenities Contribution	168,800	166,400
5	Total Direct Income	16,918,800	16,666,000
6	Supervision and Management	2,723,300	2,204,100
7	Special Services	1,456,800	1,468,100
8	Repairs and Maintenance	4,244,600	4,665,900
9	Rents and Rates	153,800	152,200
10	Provision for Bad Debts	50,000	50,000
11 12 13 14	Depreciation of Fixed Assets - Dwellings - Other Assets - Intangible Assets	3,921,800 496,300 2,900	4,384,200 563,400 6,300
15	Debt Management Costs	33,600	38,000
16	Supporting People Non-Benefit Support	15,000	-
17	Total Direct Expenditure	13,098,100	13,532,200
18	Net Cost of Services	(3,820,700)	(3,133,800)
19 20	Interest Payable Interest Receivable (Working Balance)	1,836,200 (20,000)	1,857,300 (26,000)
21	Net Operating Expenditure	(2,004,500)	(1,302,500)
22 23 24 25 26	Repayment of Internal Borrowing Capital Expenditure Funded from Revenue Amortised Premiums and (Discounts) Reversal of Depreciation & Impairments Transfer to / (from) Major Repairs Reserve	1,679,200 820,000 (3,400) (4,421,000) 4,421,000	786,600 - (3,400) (4,953,900) 4,953,900
27	Net (Surplus) / Deficit	491,300	(519,300)
28	BALANCE 1 APRIL	3,009,110	1,938,812
29	BALANCE 31 MARCH	2,517,810	2,458,112

LINE NO.	WORKING BALANCE ALLOCA	TION	2015/16 BUDGET £	2016/17 BUDGET £
30 31 32	General Working Balance Special Projects Self Insurance	Page 68 of 114	1,500,000 742,810 275,000	1,500,042 683,070 275,000
33	WORKING BALANCE	•	2,517,810	2,458,112

Agenda Item No:	9.5	Report No:	26/16	
Report Title:	The Capital Programme 2015/2016 to 2018/2019			
Report To:	Cabinet	Date:	8 February 2016	
Cabinet Member:	Councillor Bill Giles			
Ward(s) Affected:	All			
Report By:	Alan Osborne, Director of Corporate Services			
Contact Officer(s):				
E-mail(s):	Stephen Osborne Principal Accountant stephen.osborne@lewes.go 01273 471600	ov.uk		

## Purpose of Report:

To recommend to Council the revised 2015/2016 Capital Programme, the 2016/2017 Capital Programme, the outline Capital Programme 2017/2018 to 2018/2019 and the associated Prudential Indicators.

## Officers Recommendation(s):

- 1 To approve the revised 2015/2016 Capital Programme of £25.353m at Appendix 1 and recommend it to Council.
- **2** To approve the 2016/2017 Capital Programme of £9.171m at Appendix 2 and recommend it to Council.
- **3** To approve the outline Capital Programme 2016/2017 to 2017/2018 of £35.369m at Appendix 2 and recommend it to Council.
- 4 To approve the Prudential Indicators in respect of the Capital Programme detailed in Section 6, and recommend to Council that they are adopted for 2016/2017.

#### **Reasons for Recommendations**

1 As part of the annual budget cycle the Cabinet considers what level of capital support to allocate to its policy programme. It also considers the medium term position in relation to likely capital needs and available resources. The Council's Constitution requires Cabinet to make a recommendation to Council on the level of the Capital Programme budget. 2 Part 1 of the Local Government Act 2003 introduced a framework for local authority capital expenditure and financing, the 'Prudential Capital Finance System'. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, which define this system, requires local authorities to follow the 'Prudential Code for Capital Finance in Local Authorities' (the Prudential Code) when taking their decisions. The Prudential Code requires authorities to set a number of 'Prudential Indicators' before the beginning of each financial year.

## 3 Background to the Capital Finance system

- **3.1** The Local Government Act 2003 introduced a framework for local authority capital finance. The key feature of the system is that local authorities are free to raise finance for capital expenditure where they can afford to service the resulting debt.
- **3.2** In the case of non-Housing Revenue Account schemes, a local authority is able to borrow to finance capital expenditure without any limit being imposed by the Government, provided that the local authority considers the borrowing to be 'affordable'. The Secretary of State retains an overall power to intervene if the national total of intended local authority borrowing is unacceptable 'for national economic reasons'.
- **3.3** In determining how much borrowing is 'affordable' local authorities are required to have regard to the Prudential Code. The Prudential Code does not set out in detail how authorities should calculate their own level of borrowing, but provides an overall framework within which local authorities must ensure that their capital spending plans are prudent, affordable and sustainable.
- **3.4** In the case of capital expenditure in respect of council housing, the Government considers that it is necessary, due to the current fiscal position, to maintain control on authorities' debt. It exercises control by specifying for each housing authority a limit to that authority's housing indebtedness (a Debt Cap). The Debt Cap restricts the ability of an authority to take on additional borrowing in respect of its housing stock even if that borrowing is affordable by its Housing Revenue Account (HRA). The Government set this Council's Debt Cap at £72.931m. In 2014/2015 the Council successfully applied to the Local Growth Fund for an increase in the Debt Cap to £75.248m on the condition that the additional borrowing is used for new build schemes on 7 specified sites.
- **3.5** In following the framework of the Prudential Code, every local authority is required to set a number of 'Prudential Indicators' before the start of the financial year. These indicators cover capital expenditure plans, the impact of those plans on revenue budgets, and the link between the need to borrow to finance those plans and the Council's overall Treasury Management strategy.

**3.6** The Prudential Code makes it clear that the Prudential Indicators are not designed to be compared between authorities and explains that it would be misleading and counter-productive to treat them in this way. The system is designed to support local decision-making in a manner that is publicly accountable.

## 4 Financing Capital expenditure

- **4.1** All capital expenditure has to be financed, either in the year that it is incurred or over a period of time (recognising that capital assets have a life which extends into the future). The core sources of finance are:
  - Capital receipts generated from the sale of capital assets
  - Reserves
  - Direct from Revenue budgets
  - Third-Party Contributions e.g. from developers as required by 's106 agreements'
  - Grants and Contributions
- **4.2** Capital expenditure not financed in year remains as a 'capital financing requirement' funded temporarily by borrowing. Annual provision is made from the revenue budgets to repay this outstanding borrowing over time. As noted above, the total amount borrowed must be affordable, when taking into account both the principal repayments required and the interest payable on outstanding loans.
- **4.3** Capital Receipts from the sale of houses and flats under the Right to Buy scheme are a key source of funding for capital expenditure. Regulations specify that these receipts are divided into four elements as shown in the table below. The amounts shown are for illustration and relate to the three properties sold by the Council in the first six months of 2015/2016.

	1 April to 30 Sept 2015	
	£	%
Core receipts retained to fund capital expenditure	68,240	18.7
Receipts retained for the repayment of HRA debt	21,631	5.9
Receipts paid to the Government	172,932	47.4
Additional receipts retained to fund new affordable housing	102,297	28.0
Total	365,100	100.0

**4.4** Capital Receipts derived from the sale of non-housing assets do not have to be allocated in a specified way but can be used to pay for any kind of capital expenditure or, if the Council prefers, as provision to repay debt or meet premiums on the early repayment of debt.

## 5 Capital Programme

**5.1** The Capital Programme is an allocation of resources to projects relating to the major repair, enhancement or purchase of long-term assets. In many cases these projects will span financial years.

## 5.2 Capital Programme 2015/2016

- **5.2.1** The approved 2015/2016 Capital Programme is set out in Appendix 1 (lines 1 to 96), with a total value of £25.353m. As noted above, for completeness, this includes the full cost of implementing new capital schemes although some of the expenditure will fall into 2016/2017 and, potentially, later years.
- **5.2.2** Following a review of HRA capital investment, around £2m is likely to be deferred to 2016/17. In addition, a further £3.5m in respect of the construction of new dwellings will be deferred to 2016/2017.
- **5.2.3** Cabinet is not asked to approve any changes to the 2015/2016 Capital Programme.

## 5.3 Resources to support the future Capital Programme

**5.3.1** The following table sets out a projection of the resources which will be available at 1 April 2016 to fund capital expenditure.

Line		£'000
1 2 3 4	Resources for the HRA Programme - Major Repairs Reserve - Capital Expenditure Financed from Revenue Sub-total HRA	5,698 
5 6 7	Resources for the General Fund Programme - DCLG Disabled Facilities Grant Sub-total General Fund	<u>     468</u> 468
8	Capital Receipts	5,689
9	Total	11,855
Note: In addition, the Council's earmarked reserves can be used to support capital expenditure (e.g. Vehicle and Equipment Reserve).		

Line 2 – Major Repairs Reserve (MRR): The contribution into the Reserve each year is based on the annual depreciation charge in respect of HRA assets. The contribution in 2016/2017 will be £4.954m. At 1 April 2016, the balance of MRR received in previous years, but not yet used, is expected to be £0.744m.

Line 3 - HRA Revenue Contribution: This is the level proposed in the Housing Revenue Account budget for 2016/2017.

Line 6 - Disabled Facilities Grant from Government: This amount reflects the Government contribution towards the cost of awarding mandatory Disabled Facilities Grants.

Line 8 - Capital Receipts: These are available to support either the General Fund or Housing Revenue Account capital programmes and Cabinet has previously agreed that they should be allocated according to spending priorities. The total shown is the expected balance at 1 April 2016, with no account taken of any receipts that may be received in 2016/2017, or subsequent years. In accordance with the Key Principle number 4 of our Finance Strategy which is shown in the General Fund Revenue budget report we only include capital receipts when they "are banked".

5.3.2 Retained receipts from Council House Right to Buy Sales must be spent on new affordable housing, but can only be used to fund a maximum of 30% of the cost of the new homes. The retention scheme was implemented on 1 April 2012 and since that date receipts with a total value of £1.871m have been initially retained requiring spending of £6.236m on new affordable homes.

Of this amount, £1.470m was spent on the acquisition and commissioning of 12 flats at The Crest; £0.200m on additional units at 2 Ashington Gardens & 63 Meeching Road; and £3.817m has been committed towards the construction of 30 new dwellings on former garage sites, referred to elsewhere in this report.

- **5.3.3** Cabinet has previously determined that as Disabled Facility Grants are mandatory, they should be the first call on available funds, with any remaining core housing receipts used to pay for other elements within the Private Sector Housing Renewal programme (e.g. energy efficiency initiatives).
- **5.3.4** Cabinet will need to consider how to provide a housing capital programme that strikes a reasonable balance between maintaining the Council's own housing stock and its wider duty to provide private sector housing assistance.
- **5.3.5** General Fund Reserves are also available to fund either revenue or capital expenditure.
- **5.3.6** The table in paragraph 5.3.1 shows the main resources that are available to fund capital expenditure, other than borrowing.
- **5.3.7** Under the Prudential Borrowing regime the only cap on General Fund Borrowing is one of affordability to the taxpayer. The Housing Revenue Capital Programme on the other hand is constrained by a borrowing

cap. There is currently £8.951m of borrowing headroom available and this will be fully utilised on the New Homes Project. This project also requires all of the available capital receipts generated to be recycled back into paying for delivery of more Council owned homes within that project.

#### 5.4 Capital Programme 2016/2017 to 2018/2019

- **5.4.1** The Prudential Code requires local authorities to plan their capital expenditure programme for at least three years ahead. The most detailed information is available for year 1, with the programme for years 2 and 3 liable to variation when more precise forecasting can be undertaken in terms of both the availability of capital resources and spending requirements.
- 5.4.2 The Government continues to maintain control of borrowing for local authority housing. The Council bid successfully to the Government's Local Growth Fund for additional borrowing of £2.317m to finance construction of thirty new dwellings. The additional allocation increases the Housing Revenue Account 'Debt Cap', which is now set at £75.248m. Actual HRA borrowing at 1 April 2016 is projected to be £63.980m, leaving borrowing headroom of £8.950m. There is no capped limit set by the Government for the General Fund.
- **5.4.3** The recommended Capital Programme for 2016/2017 to 2018/2019 is set out in Appendix 2. It should be noted that the items shown for 2017/2018 and 2018/2019 are provisional at this stage.
- 5.4.4 Housing Capital Programme
  - (a) The proposed three year Housing Capital Programme is shown at Appendix 2 (lines 2 to 15), with a total value of £5.240m in 2016/2017.
  - (b) The proposed programme includes £12.8m for the New Homes project, allocated to the two years 2017/18 and 2018/19 when the majority of development costs can be expected to be incurred. This is illustrative and the actual allocation of costs between years (including 2016/17) will be refined as schemes progress.
  - (c) Those items which relate to improving the Council's own housing stock and other works (Appendix 2 lines 4 to 14) are consistent with the Housing Business Plan and have been discussed with Tenants' representatives. The total HRA Capital Programme is £29.104m, and is funded by borrowing (£13.379m), the Major Repairs Reserve (£15.344m) and the Revenue Account (£0.381m).
  - (d) The mandatory Disabled Facilities Grants programme in 2016/2017 is £0.600m (line 18) and provides aids and adaptations

for disabled persons to live independently in their own homes. The programme is funded by Government grant passed down via East Sussex County Council (£0.468) and capital receipts (£0.132m).

- (e) It is proposed to continue the programme of Emergency Repair Grants (£0.015m), Home Trust Loans (£0.060m) and 'Keep Warm in Winter' (£0.060m) (lines 19 to 21).
- (f) The Council is contributing £0267m in 2016/2017 from its own resources (Capital Receipts) to deliver the General Fund Housing Capital programme.
- 5.4.5 General Fund Capital Programme
  - (a) The Non-Housing Programme (Appendix 2, lines 24 to 32) has a proposed value in 2016/2017 of £3.196m. This excludes any provision that Cabinet may make available when it agrees the General Fund Revenue Budget for 2016/2017.
  - (b) The Service Transformation/Integration Programme allocation (line 25) has been agreed by Cabinet, bringing the total allocation to £2.250m, spread over 2015/2016 and 2016/2017.
  - (c) An allocation of £0.165m (line 26) is included for the vehicle and plant replacement programme. This programme is cyclical depending on the life of individual vehicles.
  - (d) In July 2015, Cabinet agreed an allocation of £2.2m as funding for start-up costs associated with implementing changes to the Waste and Recycling service, including replacement vehicles and the equipping of a materials reclamation facility. This allocation is included at line 27, funded from reserves.
  - (e) A general provision for the replacement of computer hardware is included in the 2016/2017 capital programme at £0.050m (line 28). The funding requirement for future years will be assessed in the light of investment in new technology as part of the Service Transformation/Integration Programme.
  - (f) A general provision for major works to Property Assets is included in the forward three year capital programme at £0.150m (line 29).
  - (g) A provision of £0.050m (line 30) is included for refurbishment work to Newhaven Fort, as agreed with WAVE Leisure who will is operating the Fort under a management agreement with the Council.
  - (h) An allocation of £0.031m (line 31) is made for new or enhanced play areas, fully funded from planning section 106 developer contributions.

(i) The General Fund Capital Programme 2016/2017 is funded from Reserves (£3.165m) and Contributions (£0.031m).

#### 6 Prudential Indicators

- **6.1** As noted in section 3 above, the Prudential Framework requires local authorities to ensure that their capital expenditure plans are affordable and sustainable in the longer term. A key element in making this judgment is the impact that the capital expenditure plans will have on the General Fund and the Housing Revenue Account. The impact is measured through a number of 'Prudential Indicators'.
- **6.2** The indicators derived from the capital programme at Appendix 2 are given in 6.21 to 6.24 below. The effect of the capital programme on both the General Fund and Housing Revenue Account is considered to be affordable. There will be no impact on affordability by the introduction of any new schemes in to the programme, provided that they are fully funded from external sources.

#### 6.2.1 Estimates of Capital Expenditure

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax and in the case of the HRA, housing rent levels. It is important to note that the table below includes the rephrasing of £3.5m expenditure on the Garage Sites project between 2015/2016 and 2016/2017 compared with the respective capital programmes.

No	Capital Expenditure	2015/16 Estimate £m	2015/16 Revised £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
1a	Non-HRA	4.842	9.514	8.731	1.449	1.385
1b	HRA	5.164	4.239	8.740	9.413	14.451
	Total	10.006	13.753	17.471	10.862	15.836

#### 6.2.2 Ratio of Financing Costs to Net Revenue Stream

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs. The ratio is based on costs net of investment income.

No	Ratio of Finance Costs to Net Revenue Stream	2015/16 Estimate %	2015/16 Revised %	2016/17 Estimate %	2017/18 Estimate %	2018/19 Estimate %
2a	Non-HRA	0.95	0.88	1.64	1.64	1.64
2b	HRA	20.69	20.82	15.71	15.71	15.71

#### 6.2.3 Capital Financing Requirement

The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. The calculation of the CFR is taken from the amounts held in the Balance Sheet relating to capital expenditure and the financing.

No	Capital Financing	2015/16	2015/16	2016/17	2017/18	2018/19
	Requirement	Approved	Revised	Estimate	Estimate	Estimate
		£m	£m	£m	£m	£m
3a	Non-HRA	8.421	6.913	10.067	9.594	9.139
3b	HRA	65.613	63.980	64.982	67.381	74.818
	Total CFR	74.034	70.893	75.049	76.975	83.957

#### 6.2.4 Incremental Impact of Capital Investment Decisions

This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax and Housing Rent levels. The incremental impact is calculated by comparing the total revenue budget requirement of the current approved capital programme with an equivalent calculation of the revenue budget requirement arising from the proposed capital programme. The revenue budget requirement includes the use of Reserves.

No	Incremental Impact of Capital Investment Decisions	2015/16 Approved £	2015/16 Revised £	2016/17 Estimate £	2017/18 Estimate £	2018/19 Estimate £
5a	Increase in Band D Council Tax	84.39	6.29	127.19	19.95	18.16
5b	Increase in Average Weekly Housing Rents	5.93	3.89	1.31	1.41	4.38

The above table has been calculated taking into account:

- capital expenditure directly funded from revenue
- capital expenditure funded from reserves (which could otherwise have been used for revenue purposes)
- the loss of potential investment income which could have been earned had funds not been used to finance the capital programme
- in 2016/2017 and 2017/2018 the costs shown relate to the recurring effects of the 2015/2016 programme only
- the 2016/2017 tax base has been used in the calculations for 2017/2018 onwards

#### **Financial Implications**

7 This is included in the main body of the report.

#### **Legal Implications**

8 None arising from this Report.

#### **Risk Management Implications**

**9** I have completed a risk assessment in accordance with the Council's risk management methodology and the following risks and mitigating factors have been identified.

In common with all plans which necessitate major expenditure there is a risk that insufficient funds will be available. However, this risk is mitigated by ensuring that current resources match the total cost of the programme with no account taken of the proceeds of future asset sales. The programme has been developed in accordance with the Prudential Framework, which includes an assessment of affordability.

Monitoring of the projects, which comprise the programme, takes place regularly through the year and any changes are reported to Cabinet. The letting of contracts in respect of the projects contained within the programme is carried out in accordance with the contract procedure rules set out in the Council's Constitution.

#### **Equality Screening**

**10** This is a budget report for which detailed Equality Analysis is not required to be undertaken. The equality implications of individual decisions relating to the projects/services covered in this report are addressed within other relevant Council reports and it is not considered necessary to undertake an overarching analysis of the budget proposals as a whole..

#### Background Papers: None

Appendices: Appendix 1 Revised Capital Programme 2015/2016 Appendix 2 Proposed Capital Programme 2016/2017 to 2018/2019

#### HRA HOUSING INVESTMENT CAPITAL PROGRAMME 2015/16

		Approved	Approved	APPENDIX 1 Revised
Line		Approved Programme	Approved Programme	Programme
No		2015/16	Variations	2015/16
4		£	£	£
1 2	HRA HOUSING INVESTMENT CAPITAL PROGRAMME Construction of New Dwellings			
2	- Balcombe Road, Peacehaven	759,830		759,830
4	- Grassmere Court, Telscombe Cliffs	506,550		506,550
5	- Headland Way, Peacehaven	506,550		506,550
6	- Hythe Crescent, Seaford	235,340		235,340
7	- Rectory Close, Newhaven	1,013,110		1,013,110
8	- Valley Road, Newhaven	506,550		506,550
о 9	- Waldshut Road, Lewes			289,160
9 10	- Robinson Road - Project Development	289,160	280.000	
10	Improvements to Stock		280,000	280,000
12	- Kitchen & Bathroom Renewals	600,000	26 577	626,577
12	- Heating Improvement Programme	1,000,000	26,577	1,000,000
				1,000,000
14	- Electric Heating Sustainable Replacement	1,200,000	7 695	607,685
15 16	- Window & Door Replacement Programme	600,000	7,685	,
16 17	- Rewiring Programme	100,000		100,000
	- Roofing & Chimney Works	650,000	47 500	650,000
18	- Structural Works	105,000	17,528	122,528
19	- Minor Insulation & Other Sundry Housing Works	70,000	(30,327)	39,673
20	- Fire Precaution Works	300,000		300,000
21	Digital TV Aerial & Cabling Works	050.000	33,000	33,000
22	Adaptations for Disabled Tenants	350,000		350,000
23	Environmental Improvements	120,000		120,000
24	Housing Estates Recreation and Play Areas	50,000		50,000
25	Rooms in Roof Conversions	150,000	(	150,000
26	Door Entry Security Systems	50,000	57,784	107,784
27	Right to Buy Buy-Back Scheme	185,000		185,000
28	Total HRA Housing Capital Programme	9,347,090	392,247	9,739,337
29	GENERAL FUND HOUSING INVESTMENT CAPITAL PROGRAMME			
~ ~			10 100	
30	- Emergency Repair Grants	15,000	12,466	27,466
31	- Empty Homes Initiative	15,000	5,920	5,920
31 32	- Empty Homes Initiative - Fuel Poverty Grants		5,920 3,505	5,920 3,505
31 32 33	- Empty Homes Initiative - Fuel Poverty Grants - Keep Warm in Winter	60,000	5,920	5,920 3,505 100,759
31 32 33 34	<ul> <li>Empty Homes Initiative</li> <li>Fuel Poverty Grants</li> <li>Keep Warm in Winter</li> <li>Mandatory Disabled Facilities Grants</li> </ul>	60,000 600,000	5,920 3,505	5,920 3,505 100,759 600,000
31 32 33 34 35	<ul> <li>Empty Homes Initiative</li> <li>Fuel Poverty Grants</li> <li>Keep Warm in Winter</li> <li>Mandatory Disabled Facilities Grants</li> <li>Home Trust Loans</li> </ul>	60,000 600,000 60,000	5,920 3,505 40,759	5,920 3,505 100,759 600,000 60,000
31 32 33 34	<ul> <li>Empty Homes Initiative</li> <li>Fuel Poverty Grants</li> <li>Keep Warm in Winter</li> <li>Mandatory Disabled Facilities Grants</li> </ul>	60,000 600,000	5,920 3,505	5,920 3,505 100,759 600,000
31 32 33 34 35 36	<ul> <li>Empty Homes Initiative</li> <li>Fuel Poverty Grants</li> <li>Keep Warm in Winter</li> <li>Mandatory Disabled Facilities Grants</li> <li>Home Trust Loans</li> </ul> Total General Fund Housing	60,000 600,000 60,000 <b>735,000</b>	5,920 3,505 40,759 <b>62,650</b>	5,920 3,505 100,759 600,000 60,000 <b>797,650</b>
31 32 33 34 35	<ul> <li>Empty Homes Initiative</li> <li>Fuel Poverty Grants</li> <li>Keep Warm in Winter</li> <li>Mandatory Disabled Facilities Grants</li> <li>Home Trust Loans</li> </ul>	60,000 600,000 60,000	5,920 3,505 40,759	5,920 3,505 100,759 600,000 60,000
31 32 33 34 35 36 37	<ul> <li>Empty Homes Initiative</li> <li>Fuel Poverty Grants</li> <li>Keep Warm in Winter</li> <li>Mandatory Disabled Facilities Grants</li> <li>Home Trust Loans</li> </ul> Total General Fund Housing	60,000 600,000 60,000 <b>735,000</b>	5,920 3,505 40,759 <b>62,650</b>	5,920 3,505 100,759 600,000 60,000 <b>797,650</b>
31 32 33 34 35 36 37 38	Empty Homes Initiative     Fuel Poverty Grants     Keep Warm in Winter     Mandatory Disabled Facilities Grants     Home Trust Loans Total General Fund Housing Total Housing Capital Programme	60,000 600,000 60,000 <b>735,000</b>	5,920 3,505 40,759 <b>62,650</b>	5,920 3,505 100,759 600,000 60,000 <b>797,650</b>
31 32 33 34 35 36 37 38 39	Empty Homes Initiative     Fuel Poverty Grants     Keep Warm in Winter     Mandatory Disabled Facilities Grants     Home Trust Loans Total General Fund Housing Total Housing Capital Programme GENERAL FUND CAPITAL PROGRAMME WAVE Leisure Trust	60,000 600,000 60,000 <b>735,000</b>	5,920 3,505 40,759 <b>62,650</b> <b>454,897</b>	5,920 3,505 100,759 600,000 60,000 <b>797,650</b> 10,536,987
31 32 33 34 35 36 37 38 39 40	Empty Homes Initiative     Fuel Poverty Grants     Keep Warm in Winter     Mandatory Disabled Facilities Grants     Home Trust Loans Total General Fund Housing Total Housing Capital Programme GENERAL FUND CAPITAL PROGRAMME WAVE Leisure Trust Environmental Improvements	60,000 600,000 60,000 <b>735,000</b>	5,920 3,505 40,759 <b>62,650</b> <b>454,897</b> 9,800	5,920 3,505 100,759 600,000 60,000 <b>797,650</b> 10,536,987 9,800
31 32 33 34 35 36 37 38 39 40 41	Empty Homes Initiative     Fuel Poverty Grants     Keep Warm in Winter     Mandatory Disabled Facilities Grants     Home Trust Loans Total General Fund Housing Total Housing Capital Programme GENERAL FUND CAPITAL PROGRAMME WAVE Leisure Trust Environmental Improvements Lewes Leisure Centre - Roof Replacement	60,000 600,000 60,000 <b>735,000</b>	5,920 3,505 40,759 <b>62,650</b> <b>454,897</b> 9,800 88,000	5,920 3,505 100,759 600,000 <b>797,650</b> <b>10,536,987</b> 9,800 88,000
31 32 33 34 35 36 37 38 39 40 41 42	<ul> <li>Empty Homes Initiative</li> <li>Fuel Poverty Grants</li> <li>Keep Warm in Winter</li> <li>Mandatory Disabled Facilities Grants</li> <li>Home Trust Loans</li> </ul> Total General Fund Housing Total Housing Capital Programme GENERAL FUND CAPITAL PROGRAMME WAVE Leisure Trust <ul> <li>Environmental Improvements</li> <li>Lewes Leisure Centre - Roof Replacement</li> <li>WAVE Energy Saving Initiatives</li> </ul>	60,000 600,000 60,000 <b>735,000</b>	5,920 3,505 40,759 <b>62,650</b> <b>454,897</b> 9,800	5,920 3,505 100,759 600,000 60,000 <b>797,650</b> 10,536,987 9,800
31 32 33 34 35 36 37 38 39 40 41 42 43	<ul> <li>Empty Homes Initiative</li> <li>Fuel Poverty Grants</li> <li>Keep Warm in Winter</li> <li>Mandatory Disabled Facilities Grants</li> <li>Home Trust Loans</li> </ul> Total General Fund Housing Total Housing Capital Programme GENERAL FUND CAPITAL PROGRAMME WAVE Leisure Trust <ul> <li>Environmental Improvements</li> <li>Lewes Leisure Centre - Roof Replacement</li> <li>WAVE Energy Saving Initiatives</li> <li>Recreation Services</li> </ul>	60,000 600,000 60,000 <b>735,000</b>	5,920 3,505 40,759 <b>62,650</b> <b>454,897</b> 9,800 88,000 39,607	5,920 3,505 100,759 600,000 <b>797,650</b> <b>10,536,987</b> 9,800 88,000 39,607
31 32 33 34 35 36 37 38 39 40 41 42 43 44	<ul> <li>Empty Homes Initiative</li> <li>Fuel Poverty Grants</li> <li>Keep Warm in Winter</li> <li>Mandatory Disabled Facilities Grants</li> <li>Home Trust Loans</li> </ul> Total General Fund Housing Total Housing Capital Programme GENERAL FUND CAPITAL PROGRAMME WAVE Leisure Trust <ul> <li>Environmental Improvements</li> <li>Lewes Leisure Centre - Roof Replacement</li> <li>WAVE Energy Saving Initiatives</li> <li>Recreation Services</li> <li>Lewes - Convent Field Play Area &amp; Landscaping</li> </ul>	60,000 600,000 60,000 <b>735,000</b>	5,920 3,505 40,759 62,650 454,897 9,800 88,000 39,607 2,197	5,920 3,505 100,759 600,000 <b>797,650</b> <b>10,536,987</b> 9,800 88,000 39,607 2,197
31 32 33 34 35 36 37 38 39 40 41 42 43 44 45	<ul> <li>Empty Homes Initiative</li> <li>Fuel Poverty Grants</li> <li>Keep Warm in Winter</li> <li>Mandatory Disabled Facilities Grants</li> <li>Home Trust Loans</li> </ul> Total General Fund Housing Total Housing Capital Programme GENERAL FUND CAPITAL PROGRAMME WAVE Leisure Trust <ul> <li>Environmental Improvements</li> <li>Lewes Leisure Centre - Roof Replacement</li> <li>WAVE Energy Saving Initiatives</li> </ul> Recreation Services <ul> <li>Lewes - Convent Field Play Area &amp; Landscaping</li> <li>Lewes - Southover Grange Maintenance Programme</li> </ul>	60,000 600,000 60,000 <b>735,000</b>	5,920 3,505 40,759 62,650 454,897 9,800 88,000 39,607 2,197 46,750	5,920 3,505 100,759 600,000 <b>797,650</b> <b>10,536,987</b> 9,800 88,000 39,607 2,197 46,750
31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46	<ul> <li>Empty Homes Initiative</li> <li>Fuel Poverty Grants</li> <li>Keep Warm in Winter</li> <li>Mandatory Disabled Facilities Grants</li> <li>Home Trust Loans</li> </ul> Total General Fund Housing Total Housing Capital Programme GENERAL FUND CAPITAL PROGRAMME WAVE Leisure Trust <ul> <li>Environmental Improvements</li> <li>Lewes Leisure Centre - Roof Replacement</li> <li>WAVE Energy Saving Initiatives</li> </ul> Recreation Services <ul> <li>Lewes - Convent Field Play Area &amp; Landscaping</li> <li>Lewes - Stanley Turner Recreation Ground Improvements</li> </ul>	60,000 600,000 60,000 <b>735,000</b>	5,920 3,505 40,759 62,650 454,897 9,800 88,000 39,607 2,197 46,750 103,097	5,920 3,505 100,759 600,000 <b>797,650</b> <b>10,536,987</b> 9,800 88,000 39,607 2,197 46,750 103,097
31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47	<ul> <li>Empty Homes Initiative</li> <li>Fuel Poverty Grants</li> <li>Keep Warm in Winter</li> <li>Mandatory Disabled Facilities Grants</li> <li>Home Trust Loans</li> </ul> Total General Fund Housing Total Housing Capital Programme GENERAL FUND CAPITAL PROGRAMME WAVE Leisure Trust <ul> <li>Environmental Improvements</li> <li>Lewes Leisure Centre - Roof Replacement</li> <li>WAVE Energy Saving Initiatives</li> </ul> Recreation Services <ul> <li>Lewes - Convent Field Play Area &amp; Landscaping</li> <li>Lewes - Stanley Turner Recreation Ground Improvements</li> <li>Lewes - Streamside Fencing, Southover Grange Gardens</li> </ul>	60,000 600,000 60,000 <b>735,000</b>	5,920 3,505 40,759 62,650 454,897 9,800 88,000 39,607 2,197 46,750 103,097 18,000	5,920 3,505 100,759 600,000 <b>797,650</b> <b>10,536,987</b> 9,800 88,000 39,607 2,197 46,750 103,097 18,000
31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48	<ul> <li>Empty Homes Initiative</li> <li>Fuel Poverty Grants</li> <li>Keep Warm in Winter</li> <li>Mandatory Disabled Facilities Grants</li> <li>Home Trust Loans</li> </ul> Total General Fund Housing Total Housing Capital Programme GENERAL FUND CAPITAL PROGRAMME WAVE Leisure Trust <ul> <li>Environmental Improvements</li> <li>Lewes Leisure Centre - Roof Replacement</li> <li>WAVE Energy Saving Initiatives</li> </ul> Recreation Services <ul> <li>Lewes - Convent Field Play Area &amp; Landscaping</li> <li>Lewes - Stanley Turner Recreation Ground Improvements</li> <li>Lewes - Streamside Fencing, Southover Grange Gardens</li> <li>Newhaven - Harbour Heights Play Area</li> </ul>	60,000 600,000 60,000 <b>735,000</b>	5,920 3,505 40,759 62,650 454,897 9,800 88,000 39,607 2,197 46,750 103,097 18,000 39,000	5,920 3,505 100,759 600,000 <b>797,650</b> <b>10,536,987</b> 9,800 88,000 39,607 2,197 46,750 103,097 18,000 39,000
31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49	<ul> <li>Empty Homes Initiative</li> <li>Fuel Poverty Grants</li> <li>Keep Warm in Winter</li> <li>Mandatory Disabled Facilities Grants</li> <li>Home Trust Loans</li> </ul> Total General Fund Housing Total Housing Capital Programme GENERAL FUND CAPITAL PROGRAMME WAVE Leisure Trust <ul> <li>Environmental Improvements</li> <li>Lewes Leisure Centre - Roof Replacement</li> <li>WAVE Energy Saving Initiatives</li> </ul> Recreation Services <ul> <li>Lewes - Convent Field Play Area &amp; Landscaping</li> <li>Lewes - Stanley Turner Recreation Ground Improvements</li> <li>Lewes - Streamside Fencing, Southover Grange Gardens</li> <li>Newhaven - Harbour Heights Play Area</li> <li>Newhaven - Bay Vue Play Area</li> </ul>	60,000 600,000 60,000 <b>735,000</b>	5,920 3,505 40,759 62,650 454,897 9,800 88,000 39,607 2,197 46,750 103,097 18,000 39,000 35,000	5,920 3,505 100,759 600,000 <b>797,650</b> <b>10,536,987</b> 9,800 88,000 39,607 2,197 46,750 103,097 18,000 39,000 35,000
<ul> <li>31</li> <li>32</li> <li>33</li> <li>34</li> <li>35</li> <li>36</li> <li>37</li> <li>38</li> <li>39</li> <li>40</li> <li>41</li> <li>42</li> <li>43</li> <li>44</li> <li>45</li> <li>46</li> <li>47</li> <li>48</li> <li>49</li> <li>50</li> </ul>	<ul> <li>Empty Homes Initiative</li> <li>Fuel Poverty Grants</li> <li>Keep Warm in Winter</li> <li>Mandatory Disabled Facilities Grants</li> <li>Home Trust Loans</li> </ul> Total General Fund Housing Total Housing Capital Programme GENERAL FUND CAPITAL PROGRAMME WAVE Leisure Trust Environmental Improvements Lewes Leisure Centre - Roof Replacement WAVE Energy Saving Initiatives Recreation Services Lewes - Convent Field Play Area & Landscaping Lewes - Stanley Turner Recreation Ground Improvements Lewes - Streamside Fencing, Southover Grange Gardens Newhaven - Harbour Heights Play Area Newhaven - Sports Pavilion, Pitches & Parking	60,000 600,000 60,000 <b>735,000</b>	5,920 3,505 40,759 62,650 454,897 9,800 88,000 39,607 2,197 46,750 103,097 18,000 39,000 35,000 489,971	5,920 3,505 100,759 600,000 <b>797,650</b> <b>10,536,987</b> 9,800 88,000 39,607 2,197 46,750 103,097 18,000 39,000 35,000 489,971
<ul> <li>31</li> <li>32</li> <li>33</li> <li>34</li> <li>35</li> <li>36</li> <li>37</li> <li>38</li> <li>39</li> <li>40</li> <li>41</li> <li>42</li> <li>43</li> <li>44</li> <li>45</li> <li>46</li> <li>47</li> <li>48</li> <li>49</li> <li>50</li> <li>51</li> </ul>	<ul> <li>Empty Homes Initiative</li> <li>Fuel Poverty Grants</li> <li>Keep Warm in Winter</li> <li>Mandatory Disabled Facilities Grants</li> <li>Home Trust Loans</li> </ul> Total General Fund Housing Total Housing Capital Programme GENERAL FUND CAPITAL PROGRAMME WAVE Leisure Trust Environmental Improvements Lewes Leisure Centre - Roof Replacement WAVE Energy Saving Initiatives Recreation Services Lewes - Convent Field Play Area & Landscaping Lewes - Stanley Turner Recreation Ground Improvements Lewes - Streamside Fencing, Southover Grange Gardens Newhaven - Harbour Heights Play Area Newhaven - Sports Pavilion, Pitches & Parking Newick - New Play Area	60,000 600,000 60,000 <b>735,000</b>	5,920 3,505 40,759 62,650 454,897 9,800 88,000 39,607 2,197 46,750 103,097 18,000 39,000 35,000 489,971 44,650	5,920 3,505 100,759 600,000 60,000 <b>797,650</b> <b>10,536,987</b> 9,800 88,000 39,607 2,197 46,750 103,097 18,000 39,000 35,000 489,971 44,650
<ul> <li>31</li> <li>32</li> <li>33</li> <li>34</li> <li>35</li> <li>36</li> <li>37</li> <li>38</li> <li>39</li> <li>40</li> <li>41</li> <li>42</li> <li>43</li> <li>44</li> <li>45</li> <li>46</li> <li>47</li> <li>48</li> <li>49</li> <li>50</li> <li>51</li> <li>52</li> </ul>	<ul> <li>Empty Homes Initiative</li> <li>Fuel Poverty Grants</li> <li>Keep Warm in Winter</li> <li>Mandatory Disabled Facilities Grants</li> <li>Home Trust Loans</li> </ul> Total General Fund Housing Total Housing Capital Programme GENERAL FUND CAPITAL PROGRAMME WAVE Leisure Trust Environmental Improvements Lewes Leisure Centre - Roof Replacement WAVE Energy Saving Initiatives Recreation Services Lewes - Convent Field Play Area & Landscaping Lewes - Stanley Turner Recreation Ground Improvements Lewes - Stanley Turner Recreation Ground Improvements Lewes - Streamside Fencing, Southover Grange Gardens Newhaven - Harbour Heights Play Area Peacehaven - Sports Pavilion, Pitches & Parking Newick - New Play Area Seaford - Walmer Road Play Area Equipment	60,000 600,000 60,000 <b>735,000</b>	5,920 3,505 40,759 62,650 454,897 454,897 9,800 88,000 39,607 2,197 46,750 103,097 18,000 39,000 35,000 489,971 44,650 9,385	5,920 3,505 100,759 600,000 <b>60,000</b> <b>797,650</b> <b>10,536,987</b> <b>10,536,987</b> <b>2,197</b> 46,750 103,097 18,000 39,000 35,000 489,971 44,650 9,385
<ul> <li>31</li> <li>32</li> <li>33</li> <li>34</li> <li>35</li> <li>36</li> <li>37</li> <li>38</li> <li>39</li> <li>40</li> <li>41</li> <li>42</li> <li>43</li> <li>44</li> <li>45</li> <li>46</li> <li>47</li> <li>48</li> <li>49</li> <li>50</li> <li>51</li> <li>52</li> <li>53</li> </ul>	<ul> <li>Empty Homes Initiative</li> <li>Fuel Poverty Grants</li> <li>Keep Warm in Winter</li> <li>Mandatory Disabled Facilities Grants</li> <li>Home Trust Loans</li> </ul> Total General Fund Housing Total Housing Capital Programme GENERAL FUND CAPITAL PROGRAMME WAVE Leisure Trust <ul> <li>Environmental Improvements</li> <li>Lewes Leisure Centre - Roof Replacement</li> <li>WAVE Energy Saving Initiatives</li> </ul> Recreation Services <ul> <li>Lewes - Convent Field Play Area &amp; Landscaping</li> <li>Lewes - Stanley Turner Recreation Ground Improvements</li> <li>Lewes - Streamside Fencing, Southover Grange Gardens</li> <li>Newhaven - Harbour Heights Play Area</li> <li>Newhaven - Sports Pavilion, Pitches &amp; Parking</li> <li>Newick - New Play Area</li> <li>Seaford - Walmer Road Play Area Equipment &amp; Landscaping</li> </ul>	60,000 600,000 60,000 <b>735,000</b>	5,920 3,505 40,759 <b>62,650</b> <b>454,897</b> <b>454,897</b> 9,800 88,000 39,607 2,197 46,750 103,097 18,000 39,000 35,000 489,971 44,650 9,385 5,362	5,920 3,505 100,759 600,000 <b>797,650</b> <b>10,536,987</b> <b>9,800</b> 88,000 39,607 2,197 46,750 103,097 18,000 39,000 35,000 489,971 44,650 9,385 5,362
<ul> <li>31</li> <li>32</li> <li>33</li> <li>34</li> <li>35</li> <li>36</li> <li>37</li> <li>38</li> <li>39</li> <li>40</li> <li>41</li> <li>42</li> <li>43</li> <li>44</li> <li>45</li> <li>46</li> <li>47</li> <li>48</li> <li>49</li> <li>50</li> <li>51</li> <li>52</li> <li>53</li> <li>54</li> </ul>	<ul> <li>Empty Homes Initiative</li> <li>Fuel Poverty Grants</li> <li>Keep Warm in Winter</li> <li>Mandatory Disabled Facilities Grants</li> <li>Home Trust Loans</li> </ul> Total General Fund Housing Total Housing Capital Programme GENERAL FUND CAPITAL PROGRAMME WAVE Leisure Trust <ul> <li>Environmental Improvements</li> <li>Lewes Leisure Centre - Roof Replacement</li> <li>WAVE Energy Saving Initiatives</li> </ul> Recreation Services <ul> <li>Lewes - Convent Field Play Area &amp; Landscaping</li> <li>Lewes - Stanley Turner Recreation Ground Improvements</li> <li>Lewes - Streamside Fencing, Southover Grange Gardens</li> <li>Newhaven - Harbour Heights Play Area</li> <li>Newhaven - Sports Pavilion, Pitches &amp; Parking</li> <li>Newick - New Play Area</li> <li>Seaford - Walmer Road Play Area Equipment</li> <li>Seaford - Downs Play Area Equipment &amp; Landscaping</li> <li>Flint Walls Repair</li> </ul>	60,000 600,000 60,000 <b>735,000</b>	5,920 3,505 40,759 62,650 454,897 454,897 9,800 88,000 39,607 2,197 46,750 103,097 18,000 39,000 35,000 489,971 44,650 9,385	5,920 3,505 100,759 600,000 <b>797,650</b> <b>10,536,987</b> <b>9,800</b> 88,000 39,607 2,197 46,750 103,097 18,000 39,000 35,000 489,971 44,650 9,385 5,362
<ul> <li>31</li> <li>32</li> <li>33</li> <li>34</li> <li>35</li> <li>36</li> <li>37</li> <li>38</li> <li>39</li> <li>40</li> <li>41</li> <li>42</li> <li>43</li> <li>44</li> <li>45</li> <li>46</li> <li>47</li> <li>48</li> <li>49</li> <li>50</li> <li>51</li> <li>52</li> <li>53</li> <li>54</li> <li>55</li> </ul>	<ul> <li>Empty Homes Initiative</li> <li>Fuel Poverty Grants</li> <li>Keep Warm in Winter</li> <li>Mandatory Disabled Facilities Grants</li> <li>Home Trust Loans</li> </ul> Total General Fund Housing Total Housing Capital Programme GENERAL FUND CAPITAL PROGRAMME WAVE Leisure Trust Environmental Improvements Lewes Leisure Centre - Roof Replacement WAVE Energy Saving Initiatives Recreation Services Lewes - Convent Field Play Area & Landscaping Lewes - Stanley Turner Recreation Ground Improvements Lewes - Streamside Fencing, Southover Grange Gardens Newhaven - Harbour Heights Play Area Newhaven - Bay Vue Play Area Peacehaven - Sports Pavilion, Pitches & Parking Newick - New Play Area Seaford - Walmer Road Play Area Equipment Seaford - Downs Play Area Equipment & Landscaping Flint Walls Repair Planning & Economic Development	60,000 600,000 60,000 <b>735,000</b>	5,920 3,505 40,759 <b>62,650</b> <b>454,897</b> 9,800 88,000 39,607 2,197 46,750 103,097 18,000 39,000 35,000 489,971 44,650 9,385 5,362 25,000	5,920 3,505 100,759 600,000 <b>797,650</b> <b>10,536,987</b> <b>10,536,987</b> <b>2,197</b> 46,750 103,097 18,000 39,000 35,000 489,971 44,650 9,385 5,362 25,000
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$\begin{array}{c} 31\\ 32\\ 33\\ 34\\ 35\\ 36\\ 37\\ 38\\ 39\\ 40\\ 41\\ 42\\ 43\\ 44\\ 45\\ 46\\ 47\\ 48\\ 49\\ 50\\ 51\\ 52\\ 53\\ 54\\ 55\\ 56\\ 57\\ \end{array}$	<ul> <li>Empty Homes Initiative</li> <li>Fuel Poverty Grants</li> <li>Keep Warm in Winter</li> <li>Mandatory Disabled Facilities Grants</li> <li>Home Trust Loans</li> </ul> Total General Fund Housing Total General Fund Housing GENERAL FUND CAPITAL PROGRAMME WAVE Leisure Trust Environmental Improvements Lewes Leisure Centre - Roof Replacement WAVE Energy Saving Initiatives Recreation Services Lewes - Convent Field Play Area & Landscaping Lewes - Southover Grange Maintenance Programme Lewes - Stanley Turner Recreation Ground Improvements Lewes - Streamside Fencing, Southover Grange Gardens Newhaven - Harbour Heights Play Area Peacehaven - Sports Pavilion, Pitches & Parking Newick - New Play Area Seaford - Walmer Road Play Area Equipment Seaford - Downs Play Area Equipment & Landscaping Flint Walls Repair Planning & Economic Development Flood Protection Schemes at Landport & Malling Deanery Coastal Defence Works	60,000 600,000 60,000 <b>735,000</b>	5,920 3,505 40,759 <b>62,650</b> <b>454,897</b> 9,800 88,000 39,607 2,197 46,750 103,097 18,000 39,000 35,000 489,971 44,650 9,385 5,362 25,000 4,870	5,920 3,505 100,759 600,000 <b>797,650</b> <b>10,536,987</b> <b>9,800</b> 88,000 39,607 2,197 46,750 103,097 18,000 39,000 35,000 489,971 44,650 9,385 5,362 25,000 4,870
<ul> <li>31</li> <li>32</li> <li>33</li> <li>34</li> <li>35</li> <li>36</li> <li>37</li> <li>38</li> <li>39</li> <li>40</li> <li>41</li> <li>42</li> <li>43</li> <li>44</li> <li>45</li> <li>46</li> <li>47</li> <li>48</li> <li>49</li> <li>50</li> <li>51</li> <li>52</li> <li>53</li> <li>54</li> <li>55</li> <li>56</li> <li>57</li> <li>58</li> </ul>	<ul> <li>Empty Homes Initiative</li> <li>Fuel Poverty Grants</li> <li>Keep Warm in Winter</li> <li>Mandatory Disabled Facilities Grants</li> <li>Home Trust Loans</li> </ul> Total General Fund Housing Total General Fund Housing GENERAL FUND CAPITAL PROGRAMME WAVE Leisure Trust Environmental Improvements Lewes Leisure Centre - Roof Replacement WAVE Energy Saving Initiatives Recreation Services Lewes - Convent Field Play Area & Landscaping Lewes - Southover Grange Maintenance Programme Lewes - Stanley Turner Recreation Ground Improvements Lewes - Streamside Fencing, Southover Grange Gardens Newhaven - Harbour Heights Play Area Reacehaven - Sports Pavilion, Pitches & Parking Newick - New Play Area Seaford - Walmer Road Play Area Equipment Seaford - Walmer Road Play Area Equipment Seaford - Downs Play Area Equipment & Landscaping Flint Walls Repair Planning & Economic Development Flood Protection Schemes at Landport & Malling Deanery Coastal Defence Works Option Study Unit 13B - Groynes 18 & 19)	60,000 600,000 60,000 <b>735,000</b>	5,920 3,505 40,759 <b>62,650</b> <b>454,897</b> 9,800 88,000 39,607 2,197 46,750 103,097 18,000 39,000 35,000 489,971 44,650 9,385 5,362 25,000 4,870 8,711	5,920 3,505 100,759 600,000 <b>797,650</b> <b>10,536,987</b> <b>9,800</b> 88,000 39,607 2,197 46,750 103,097 18,000 39,000 35,000 489,971 44,650 9,385 5,362 25,000 4,870 8,711
$\begin{array}{c} 31\\ 32\\ 33\\ 34\\ 35\\ 36\\ 37\\ 38\\ 39\\ 40\\ 41\\ 42\\ 43\\ 44\\ 45\\ 46\\ 47\\ 48\\ 49\\ 50\\ 51\\ 52\\ 53\\ 54\\ 55\\ 56\\ 57\\ 58\\ 59\\ \end{array}$	<ul> <li>Empty Homes Initiative</li> <li>Fuel Poverty Grants</li> <li>Keep Warm in Winter</li> <li>Mandatory Disabled Facilities Grants</li> <li>Home Trust Loans</li> </ul> Total General Fund Housing Total General Fund Housing GENERAL FUND CAPITAL PROGRAMME WAVE Leisure Trust Environmental Improvements Lewes Leisure Centre - Roof Replacement WAVE Energy Saving Initiatives Recreation Services Lewes - Convent Field Play Area & Landscaping Lewes - Stanley Turner Recreation Ground Improvements Lewes - Streamside Fencing, Southover Grange Gardens Newhaven - Harbour Heights Play Area Newhaven - Sports Pavilion, Pitches & Parking Newick - New Play Area Seaford - Walmer Road Play Area Equipment Seaford - Walmer	60,000 600,000 60,000 <b>735,000</b>	5,920 3,505 40,759 62,650 454,897 9,800 88,000 39,607 2,197 46,750 103,097 18,000 39,000 35,000 489,971 44,650 9,385 5,362 25,000 4,870 8,711 10,069	5,920 3,505 100,759 600,000 <b>797,650</b> <b>10,536,987</b> <b>9,800</b> 88,000 39,607 2,197 46,750 103,097 18,000 39,000 35,000 489,971 44,650 9,385 5,362 25,000 4,870 8,711 10,069
$\begin{array}{c} 31\\ 32\\ 33\\ 34\\ 35\\ 36\\ 37\\ 38\\ 39\\ 40\\ 41\\ 42\\ 43\\ 44\\ 45\\ 46\\ 47\\ 48\\ 49\\ 50\\ 51\\ 52\\ 53\\ 54\\ 55\\ 56\\ 57\\ 58\\ 59\\ 60\\ \end{array}$	<ul> <li>Empty Homes Initiative</li> <li>Fuel Poverty Grants</li> <li>Keep Warm in Winter</li> <li>Mandatory Disabled Facilities Grants</li> <li>Home Trust Loans</li> </ul> Total General Fund Housing Total Housing Capital Programme GENERAL FUND CAPITAL PROGRAMME WAVE Leisure Trust Environmental Improvements Lewes Leisure Centre - Roof Replacement WAVE Energy Saving Initiatives Recreation Services Lewes - Convent Field Play Area & Landscaping Lewes - Southover Grange Maintenance Programme Lewes - Stanley Turner Recreation Ground Improvements Lewes - Streamside Fencing, Southover Grange Gardens Newhaven - Harbour Heights Play Area Newhaven - Bay Vue Play Area Peacehaven - Sports Pavilion, Pitches & Parking Newick - New Play Area Seaford - Walmer Road Play Area Equipment Seaford - Walmer Road Play Area Equipment Seaford - Downs Play Area Planning & Economic Development Flood Protection Schemes at Landport & Malling Deanery Coastal Defence Works Option Study Unit 13B - Groynes 18 & 19) Newhaven Western Arm to Brighton Marina Implementation Plag of 1	60,000 600,000 735,000 10,082,090	5,920 3,505 40,759 62,650 454,897 9,800 88,000 39,607 2,197 46,750 103,097 18,000 39,000 35,000 489,971 44,650 9,385 5,362 25,000 4,870 8,711 10,069 34,319	5,920 3,505 100,759 600,000 <b>797,650</b> <b>10,536,987</b> <b>10,536,987</b> <b>2,197</b> 46,750 103,097 18,000 39,000 35,000 489,971 44,650 9,385 5,362 25,000 4,870 8,711 10,069 34,319
$\begin{array}{c} 31\\ 32\\ 33\\ 34\\ 35\\ 36\\ 37\\ 38\\ 39\\ 40\\ 41\\ 42\\ 43\\ 44\\ 45\\ 46\\ 47\\ 48\\ 49\\ 50\\ 51\\ 52\\ 53\\ 54\\ 55\\ 56\\ 57\\ 58\\ 59\\ 60\\ 61\\ \end{array}$	<ul> <li>Empty Homes Initiative</li> <li>Fuel Poverty Grants</li> <li>Keep Warm in Winter</li> <li>Mandatory Disabled Facilities Grants</li> <li>Home Trust Loans</li> </ul> Total General Fund Housing Total Housing Capital Programme GENERAL FUND CAPITAL PROGRAMME WAVE Leisure Trust Environmental Improvements Lewes Leisure Centre - Roof Replacement WAVE Energy Saving Initiatives Recreation Services Lewes - Convent Field Play Area & Landscaping Lewes - Stanley Turner Recreation Ground Improvements Lewes - Stanley Turner Recreation Grange Gardens Newhaven - Harbour Heights Play Area Peacehaven - Sports Pavilion, Pitches & Parking Newick - New Play Area Seaford - Walmer Road Play Area Equipment Seaford - Downs Play Area Equipment & Landscaping Flint Walls Repair Planning & Economic Development Flood Protection Schemes at Landport & Malling Deanery Coastal Defence Works Option Study Unit 13B - Groynes 18 & 19) Newhaven Western Arm to Brighton Marina Implementation Protection Protection Schemes at Landport & Malling Premertation Protection Protection Schemes 10 (11)	60,000 60,000 735,000 10,082,090	5,920 3,505 40,759 62,650 454,897 9,800 88,000 39,607 2,197 46,750 103,097 18,000 39,000 35,000 489,971 44,650 9,385 5,362 25,000 4,870 8,711 10,069	5,920 3,505 100,759 600,000 <b>797,650</b> <b>10,536,987</b> <b>9,800</b> 88,000 39,607 2,197 46,750 103,097 18,000 39,000 35,000 489,971 44,650 9,385 5,362 25,000 4,870 8,711 10,069 34,319 900,000
$\begin{array}{c} 31\\ 32\\ 33\\ 34\\ 35\\ 36\\ 37\\ 38\\ 39\\ 40\\ 41\\ 42\\ 43\\ 44\\ 45\\ 46\\ 47\\ 48\\ 49\\ 50\\ 51\\ 52\\ 53\\ 54\\ 55\\ 56\\ 57\\ 58\\ 59\\ 60\\ \end{array}$	<ul> <li>Empty Homes Initiative</li> <li>Fuel Poverty Grants</li> <li>Keep Warm in Winter</li> <li>Mandatory Disabled Facilities Grants</li> <li>Home Trust Loans</li> </ul> Total General Fund Housing Total Housing Capital Programme GENERAL FUND CAPITAL PROGRAMME WAVE Leisure Trust Environmental Improvements Lewes Leisure Centre - Roof Replacement WAVE Energy Saving Initiatives Recreation Services Lewes - Convent Field Play Area & Landscaping Lewes - Southover Grange Maintenance Programme Lewes - Stanley Turner Recreation Ground Improvements Lewes - Streamside Fencing, Southover Grange Gardens Newhaven - Harbour Heights Play Area Newhaven - Bay Vue Play Area Peacehaven - Sports Pavilion, Pitches & Parking Newick - New Play Area Seaford - Walmer Road Play Area Equipment Seaford - Walmer Road Play Area Equipment Seaford - Downs Play Area Planning & Economic Development Flood Protection Schemes at Landport & Malling Deanery Coastal Defence Works Option Study Unit 13B - Groynes 18 & 19) Newhaven Western Arm to Brighton Marina Implementation Plag of 1	60,000 600,000 735,000 10,082,090	5,920 3,505 40,759 62,650 454,897 9,800 88,000 39,607 2,197 46,750 103,097 18,000 39,000 35,000 489,971 44,650 9,385 5,362 25,000 4,870 8,711 10,069 34,319	5,920 3,505 100,759 600,000 <b>797,650</b> <b>10,536,987</b> <b>9,800</b> 88,000 39,607 2,197 46,750 103,097 18,000 39,000 35,000 489,971 44,650 9,385 5,362 25,000 4,870 8,711 10,069 34,319

65 Unive 66 New 67 Cons	bility Discrimination Act Works ersity Technical College Contribution haven Growth Quarter Project struction of Avis Way Depot, Newhaven tovoltaic Panel Housing Installation Programme	Programme 2015/16	Programme Variations 3,850 361,755 2,378,681	Programme 2015/16 3,850 361,755
64 Disal 65 Unive 66 New 67 Cons	ersity Technical College Contribution haven Growth Quarter Project struction of Avis Way Depot, Newhaven tovoltaic Panel Housing Installation Programme	2015/16	3,850 361,755	3,850
65 Unive 66 New 67 Cons	ersity Technical College Contribution haven Growth Quarter Project struction of Avis Way Depot, Newhaven tovoltaic Panel Housing Installation Programme		361,755	,
65 Unive 66 New 67 Cons	ersity Technical College Contribution haven Growth Quarter Project struction of Avis Way Depot, Newhaven tovoltaic Panel Housing Installation Programme		361,755	,
66 Newł 67 Cons	haven Growth Quarter Project struction of Avis Way Depot, Newhaven tovoltaic Panel Housing Installation Programme			361,755
67 Cons	struction of Avis Way Depot, Newhaven tovoltaic Panel Housing Installation Programme		2,378,681	
	tovoltaic Panel Housing Installation Programme			2,378,681
68 Phote	•		3,500,000	3,500,000
		2,700,000		2,700,000
69 Corp	oorate Services			
70 Cor	mputer & IT Replacement Programme	50,000	15,648	65,648
71 CIL	System Implementation		25,000	25,000
72 Lev	wes House Site - Redevelopment Project		6,800	6,800
73 Se	ervice Transformation/Integration Programme	1,300,000		1,300,000
74 Sa:	ixon House Shared Facility		685,995	685,995
75 Corp	oorate Buildings Capital Works			
76 As	set Backlog Repairs	150,000	(45,000)	105,000
77 Lev	wes House External Works		57,120	57,120
78 So	outhover Grange Depot (Structural Works)		20,000	20,000
79 Sta	anley Turner Pavilion (Water/ Heating System Renewal)		40,000	40,000
80 Sea	aford Cemetery Chapel		65,000	65,000
81 So	outhover House Replacement Boiler		1,900	1,900
82 Vehic	cle & Plant Replacement Programme	1,334,000		1,334,000
83 Food	d Waste Collection		177,112	177,112
84 Total	General Fund Capital Programme	5,584,000	9,231,749	14,815,749
85 <b>TOTA</b>	AL OVERALL CAPITAL PROGRAMME	15,666,090	9,686,646	25,352,736
86 <b>CAPI</b>	TAL PROGRAMME FUNDING			
		5,202,090	4,185,995	9,388,085
	ital Receipts	1,855,750	25,026	1,880,776
	ernment Grants	379,250	2,891,238	3,270,488
	Major Repairs Reserve	4,525,000	755,674	5,280,674
	A Reserves	2,884,000	1,132,450	4,016,450
	A Revenue Account	2,004,000	49,107	49,107
	Revenue Account	820,000	(370,000)	49,107
	eloper Contributions	020,000	595,396	430,000 595,396
	rnal Contributions		421,760	421,760
	AL CAPITAL PROGRAMME	15,666,090	9,686,646	<b>25,352,736</b>

#### OUTLINE 3 YEAR CAPITAL PROGRAMME 2016/17 TO 2018/19

Line		2016/17	2017/18	2018/19	Total
No.		£	£	£	£
1	HOUSING CAPITAL PROGRAMME				
2	HRA Housing Investment Capital Programme				
3	New Homes		2 882 000	8 024 000	12 804 000
3	new nomes	-	3,883,000	8,921,000	12,804,000
4	Improvements to Existing Stock	4,000,000	4,380,000	4,380,000	12,760,000
5	Other works				
6	Adaptations for Disabled Tenants	415,000	350,000	350,000	1,115,000
7	Lift Upgrades & Replacement	120,000	135,000	135,000	390,000
8	Security Systems Replacement	20,000	20,000	20,000	60,000
9	Communal TV Aerials Replacement	35,000	35,000	35,000	105,000
10	Rooms in Roof Conversions	165,000	165,000	165,000	495,000
11	Roads, Paths & Engineering	200,000	150,000	150,000	500,000
12	Environmental Improvement of Estates	50,000	50,000	50,000	150,000
13	Recreation & Play Areas	50,000	50,000	50,000	150,000
14	Buy Back of Right to Buy Properties	185,000	195,000	195,000	575,000
15	Total HRA Housing	5,240,000	9,413,000	14,451,000	29,104,000
16	General Fund Housing Investment Capital Programme				
17	Private Sector Housing Grants				
18	<ul> <li>Mandatory Disabled Facilities Grants</li> </ul>	600,000	600,000	600,000	1,800,000
19	- Emergency Repairs Grants	15,000	15,000	15,000	45,000
20	- Home Trust Loans	60,000	60,000	60,000	180,000
21	- Keep Warm in Winter	60,000	60,000	60,000	180,000
22	Total General Fund Housing	735,000	735,000	735,000	2,205,000
23	Total Housing Capital Programme	5,975,000	10,148,000	15,186,000	31,309,000
24	GENERAL FUND CAPITAL PROGRAMME				
<u>-</u> .					
25	Service Transformation/Integration Programme	950.000	_	-	950.000
25 26	Service Transformation/Integration Programme	950,000 165,000	-		950,000
26	Vehicle & Plant Replacement Programme	165,000	- 64,000 400,000	-	229,000
26 27	Vehicle & Plant Replacement Programme Implementing change to Waste and Recycling Service	165,000 1,800,000	- 64,000 400,000 -	-	229,000 2,200,000
26 27 28	Vehicle & Plant Replacement Programme Implementing change to Waste and Recycling Service Computer Hardware Replacement Programme	165,000 1,800,000 50,000	400,000	- - - 150.000	229,000 2,200,000 50,000
26 27 28 29	Vehicle & Plant Replacement Programme Implementing change to Waste and Recycling Service Computer Hardware Replacement Programme Property Assets major works	165,000 1,800,000 50,000 150,000	400,000 - 150,000	- - 150,000	229,000 2,200,000 50,000 450,000
26 27 28	Vehicle & Plant Replacement Programme Implementing change to Waste and Recycling Service Computer Hardware Replacement Programme	165,000 1,800,000 50,000	400,000	- - - 150,000 50,000 -	229,000 2,200,000 50,000
26 27 28 29 30	Vehicle & Plant Replacement Programme Implementing change to Waste and Recycling Service Computer Hardware Replacement Programme Property Assets major works Newhaven Fort Development resource	165,000 1,800,000 50,000 150,000 50,000	400,000 - 150,000		229,000 2,200,000 50,000 450,000 150,000
26 27 28 29 30 31	Vehicle & Plant Replacement Programme Implementing change to Waste and Recycling Service Computer Hardware Replacement Programme Property Assets major works Newhaven Fort Development resource Play area refurbishment and construction	165,000 1,800,000 50,000 150,000 50,000 31,000	400,000 - 150,000 50,000 -	50,000	229,000 2,200,000 50,000 450,000 150,000 31,000
26 27 28 29 30 31 32	Vehicle & Plant Replacement Programme Implementing change to Waste and Recycling Service Computer Hardware Replacement Programme Property Assets major works Newhaven Fort Development resource Play area refurbishment and construction <b>Total General Fund Capital Programme</b>	165,000 1,800,000 50,000 150,000 50,000 31,000 <b>3,196,000</b>	400,000 - 150,000 50,000 - <b>664,000</b>	50,000 - <b>200,000</b>	229,000 2,200,000 50,000 450,000 150,000 31,000 <b>4,060,000</b>
26 27 28 29 30 31 32 33 34	Vehicle & Plant Replacement Programme Implementing change to Waste and Recycling Service Computer Hardware Replacement Programme Property Assets major works Newhaven Fort Development resource Play area refurbishment and construction Total General Fund Capital Programme TOTAL CAPITAL PROGRAMME REQUIREMENT FUNDING AVAILABILITY	165,000 1,800,000 50,000 150,000 31,000 3,196,000 9,171,000	400,000 - 150,000 50,000 - 6664,000 10,812,000	50,000 - <b>200,000</b> 15,386,000	229,000 2,200,000 50,000 450,000 150,000 31,000 <b>4,060,000</b> <b>35,369,000</b>
26 27 28 29 30 31 32 33 34 35	Vehicle & Plant Replacement Programme Implementing change to Waste and Recycling Service Computer Hardware Replacement Programme Property Assets major works Newhaven Fort Development resource Play area refurbishment and construction <b>Total General Fund Capital Programme</b> <b>TOTAL CAPITAL PROGRAMME REQUIREMENT</b> <b>FUNDING AVAILABILITY</b> Borrowing - HRA	165,000 1,800,000 50,000 150,000 50,000 31,000 <b>3,196,000</b>	400,000 - 150,000 50,000 - <b>664,000</b>	50,000 - <b>200,000</b>	229,000 2,200,000 50,000 450,000 150,000 31,000 <b>4,060,000</b>
26 27 28 29 30 31 32 33 34 35 36	Vehicle & Plant Replacement Programme Implementing change to Waste and Recycling Service Computer Hardware Replacement Programme Property Assets major works Newhaven Fort Development resource Play area refurbishment and construction <b>Total General Fund Capital Programme</b> <b>TOTAL CAPITAL PROGRAMME REQUIREMENT</b> <b>FUNDING AVAILABILITY</b> Borrowing - HRA Borrowing - General Fund	165,000 1,800,000 50,000 150,000 31,000 3,196,000 9,171,000 185,000 -	400,000 - 150,000 50,000 - 6664,000 10,812,000 4,078,000 -	50,000 - 200,000 15,386,000 9,116,000 -	229,000 2,200,000 50,000 450,000 31,000 <b>4,060,000</b> <b>35,369,000</b> 13,379,000
26 27 28 29 30 31 32 33 34 35 36 37	Vehicle & Plant Replacement Programme Implementing change to Waste and Recycling Service Computer Hardware Replacement Programme Property Assets major works Newhaven Fort Development resource Play area refurbishment and construction <b>Total General Fund Capital Programme</b> <b>TOTAL CAPITAL PROGRAMME REQUIREMENT</b> <b>FUNDING AVAILABILITY</b> Borrowing - HRA Borrowing - General Fund Useable Capital Receipts	165,000 1,800,000 50,000 150,000 31,000 3,196,000 9,171,000 185,000 - 267,405	400,000 - 150,000 50,000 - 6664,000 10,812,000 4,078,000 - 267,405	50,000 - 200,000 15,386,000 9,116,000 - 267,405	229,000 2,200,000 50,000 450,000 31,000 31,000 35,369,000 13,379,000 - 802,215
26 27 28 29 30 31 32 33 34 35 36 37 38	Vehicle & Plant Replacement Programme Implementing change to Waste and Recycling Service Computer Hardware Replacement Programme Property Assets major works Newhaven Fort Development resource Play area refurbishment and construction <b>Total General Fund Capital Programme</b> <b>TOTAL CAPITAL PROGRAMME REQUIREMENT</b> <b>FUNDING AVAILABILITY</b> Borrowing - HRA Borrowing - General Fund Useable Capital Receipts Grant - Disabled Facilities	165,000 1,800,000 50,000 150,000 31,000 3,196,000 9,171,000 185,000 - 267,405 467,595	400,000 - 150,000 50,000 - 6664,000 10,812,000 10,812,000 - 4,078,000 - 267,405 467,595	50,000 - 200,000 15,386,000 9,116,000 -	229,000 2,200,000 50,000 450,000 31,000 35,369,000 13,379,000 - 802,215 1,402,785
26 27 28 29 30 31 32 33 34 35 36 37 38 39	Vehicle & Plant Replacement Programme Implementing change to Waste and Recycling Service Computer Hardware Replacement Programme Property Assets major works Newhaven Fort Development resource Play area refurbishment and construction <b>Total General Fund Capital Programme</b> <b>TOTAL CAPITAL PROGRAMME REQUIREMENT</b> <b>FUNDING AVAILABILITY</b> Borrowing - HRA Borrowing - General Fund Useable Capital Receipts Grant - Disabled Facilities Reserve - Vehicles and Equipment	165,000 1,800,000 50,000 150,000 31,000 3,196,000 9,171,000 185,000 - 267,405 467,595 1,315,000	400,000 - 150,000 50,000 - 6664,000 10,812,000 4,078,000 - 267,405 467,595 464,000	50,000 - 200,000 15,386,000 9,116,000 - 267,405 467,595 -	229,000 2,200,000 50,000 450,000 31,000 35,369,000 35,369,000 - 802,215 1,402,785 1,779,000
26 27 28 29 30 31 32 33 34 35 36 37 38 39 40	Vehicle & Plant Replacement Programme Implementing change to Waste and Recycling Service Computer Hardware Replacement Programme Property Assets major works Newhaven Fort Development resource Play area refurbishment and construction <b>Total General Fund Capital Programme</b> <b>TOTAL CAPITAL PROGRAMME REQUIREMENT</b> <b>FUNDING AVAILABILITY</b> Borrowing - HRA Borrowing - General Fund Useable Capital Receipts Grant - Disabled Facilities Reserve - Vehicles and Equipment Reserve - Asset Maintenance	165,000 1,800,000 50,000 150,000 31,000 3,196,000 9,171,000 185,000 - 267,405 467,595 1,315,000 200,000	400,000 - 150,000 50,000 - 6664,000 10,812,000 10,812,000 - 4,078,000 - 267,405 467,595	50,000 - 200,000 15,386,000 9,116,000 - 267,405	229,000 2,200,000 50,000 450,000 31,000 33,000 35,369,000 13,379,000 - 802,215 1,402,785 1,779,000 600,000
26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41	Vehicle & Plant Replacement Programme Implementing change to Waste and Recycling Service Computer Hardware Replacement Programme Property Assets major works Newhaven Fort Development resource Play area refurbishment and construction <b>Total General Fund Capital Programme</b> <b>TOTAL CAPITAL PROGRAMME REQUIREMENT</b> <b>FUNDING AVAILABILITY</b> Borrowing - HRA Borrowing - General Fund Useable Capital Receipts Grant - Disabled Facilities Reserve - Vehicles and Equipment Reserve - Asset Maintenance Reserve - Strategic Change	165,000 1,800,000 50,000 150,000 31,000 3,196,000 9,171,000 185,000 - 267,405 467,595 1,315,000 200,000 1,650,000	400,000 - 150,000 50,000 - 664,000 10,812,000 4,078,000 - 267,405 467,595 464,000 200,000 -	50,000 - 200,000 15,386,000 9,116,000 - 267,405 467,595 - 200,000 -	229,000 2,200,000 50,000 450,000 31,000 33,000 35,369,000 13,379,000 - 802,215 1,402,785 1,779,000 600,000 1,650,000
26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42	Vehicle & Plant Replacement Programme Implementing change to Waste and Recycling Service Computer Hardware Replacement Programme Property Assets major works Newhaven Fort Development resource Play area refurbishment and construction <b>Total General Fund Capital Programme</b> <b>TOTAL CAPITAL PROGRAMME REQUIREMENT</b> <b>FUNDING AVAILABILITY</b> Borrowing - HRA Borrowing - General Fund Useable Capital Receipts Grant - Disabled Facilities Reserve - Vehicles and Equipment Reserve - Asset Maintenance Reserve - Strategic Change Reserve - Major Repairs Reserve	165,000 1,800,000 50,000 150,000 31,000 3,196,000 9,171,000 185,000 - 267,405 467,595 1,315,000 200,000	400,000 - 150,000 50,000 - 6664,000 10,812,000 4,078,000 - 267,405 467,595 464,000	50,000 - 200,000 15,386,000 9,116,000 - 267,405 467,595 - 200,000 - 4,953,900	229,000 2,200,000 50,000 450,000 31,000 31,000 35,369,000 35,369,000 13,379,000 - 802,215 1,402,785 1,779,000 600,000 1,650,000 15,343,900
26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41	Vehicle & Plant Replacement Programme Implementing change to Waste and Recycling Service Computer Hardware Replacement Programme Property Assets major works Newhaven Fort Development resource Play area refurbishment and construction <b>Total General Fund Capital Programme</b> <b>TOTAL CAPITAL PROGRAMME REQUIREMENT</b> <b>FUNDING AVAILABILITY</b> Borrowing - HRA Borrowing - General Fund Useable Capital Receipts Grant - Disabled Facilities Reserve - Vehicles and Equipment Reserve - Asset Maintenance Reserve - Strategic Change	165,000 1,800,000 50,000 150,000 31,000 3,196,000 9,171,000 185,000 - 267,405 467,595 1,315,000 200,000 1,650,000	400,000 - 150,000 50,000 - 664,000 10,812,000 4,078,000 - 267,405 467,595 464,000 200,000 -	50,000 - 200,000 15,386,000 9,116,000 - 267,405 467,595 - 200,000 -	229,000 2,200,000 50,000 450,000 31,000 31,000 35,369,000 13,379,000 802,215 1,402,785 1,779,000 600,000 1,650,000

Agenda Item No:	9.6	Report No:	27/16		
Report Title:	Annual Treasury Management Strategy Statement and Investment Strategy 2016/2017 to 2018/2019				
Report To:	Cabinet	Date:	8 February 2016		
Cabinet Member:	Councillor Bill Giles				
Ward(s) Affected:	All				
Report By:	Alan Osborne, Director of Corporate Services				
Contact Officer(s): Name(s): Post Title(s): E-mail(s): Tel No(s):	Head of Finance				

#### **Purpose of Report:**

To advise Cabinet of the proposed Treasury and Investment Strategies for 2016/2017 to 2018/2019.

To seek Council determination of (i) the 2016/2017 authorised borrowing limit (as required by section 3(1) of the Local Government Act 2003), (ii) the Council's 2016/2017 Investment Strategy and (iii) the method of calculating the Council's Minimum Revenue Provision.

#### Officers Recommendation(s):

- 1 To recommend to Council that:
  - a. It adopts the Treasury Management Strategy Statement and Investment Strategy 2016/2017 to 2018/2019 set out in Appendix 1.
  - b. The Council's 'Prudential Indicators' for the year are those set out in Appendix B of the Strategy document.
  - c. The Council's level of affordable borrowing, determined in accordance with the Local Government Act 2003, is subject to the following limits:

	2016/2017	2017/2018	2018/2019
Authorised limit for external debt	£76.5m	£76.5m	£76.5m

- d. The Council's approach to allocating debt and associated costs between the Housing Revenue Account and General Fund be as set out in Section 9 of the Strategy Statement.
- e. The Council's Minimum Revenue Provision be calculated as set out in Section 13 of the Strategy Statement.

#### **Reasons for Recommendations**

- 1. The Council has adopted the CIPFA Code of Practice on Treasury Management. In accordance with the Code of Practice, the Cabinet recommends to Council an Annual Treasury Strategy Statement before the start of each financial year. This includes an Investment Strategy for the year ahead (which Government guidance notes should be adopted by full Council) as well as 'Prudential Indicators' which are required to be set in order to comply with the 'Prudential Code for Capital Finance in Local Authorities' (The Prudential Code). The majority of these indicators are an essential element of an integrated treasury management strategy.
- 2. The Local Authorities (Capital Finance and Accounting)(England)(Amendment) Regulations 2008 place a duty on local authorities to make a prudent provision for debt redemption. Guidance has been issued by the Secretary of State on determining 'Minimum Revenue Provision'.
- **3.** Section 3 of the Local Government Act 2003 requires the Council to determine and keep under review how much money it can afford to borrow. This is known as the 'affordable borrowing limit'.

## Annual Treasury Management Strategy Statement and Investment Strategy 2016/2017 to 2018/2019

#### 1. Introduction

- **1.1.** The draft Strategy Statement (Appendix 1) sets out the background to the Council's treasury management activity both in terms of the wider economy and the Council's own current and projected financial position. It sets out the approach which will be taken to borrowing and the investment of cash balances. It explains the risks which are inherent in treasury management and how these are to be mitigated. The Strategy Statement specifies the Prudential Indicators which the Council is to set in order to meet the requirements of the Prudential Code; contains an 'MRP Statement' which defines the approach that the Council will take to make prudent provision for debt redemption; and establishes the policy for the separate management of General Fund and Housing Revenue Account borrowing.
- **1.2.** The content of the draft Strategy Statement follows the requirements of CIPFA's revised Code of Practice which was published in November 2011. Arlingclose, the Council's Treasury advisers provided general support to the preparation of the draft Strategy Statement, and also made specific observations ahead of the review by the Audit and Standards Committee.
- **1.3.** The Strategy Statement is a lengthy document and includes the use of technical terms where they are unavoidable. Arlingclose hold a briefing session at the Council each year (most recently in October 2015) to which all Councillors are invited. The intention of the briefings is to 'demystify' the more technical aspects of treasury management, and to explain those factors which are impacting on the Council's investment returns and borrowing costs.

#### 2. Audit and Standards Committee Review

- 2.1. At the timing of writing this report, the Audit and Standards Committee is due to consider the draft Strategy Statement at its meeting on 25 January 2016 in line with the Code of Practice's recommendation that the annual Treasury Strategy should be subject to scrutiny. The Audit and Standards Committee's comments will be reported verbally to Cabinet. The Audit and Standards Committee's review will not encompass the Prudential Indicators, because some of these were still subject to final calculation pending the finalisation of the draft Capital Programme.
- 2.2. The Audit and Standards Committee were to be made aware that the draft Strategy Statement presented to them contained values (eg capital expenditure, use of reserves, capital financing requirement) which were best estimates at the time of preparing their report, and which may be revised when draft budget papers are finalised for consideration by Cabinet at this meeting. It was explained that any revisions were expected to be immaterial, with no bearing on the Strategy proposed.

#### 3. 2016/2017 Strategy Statement in context

- **3.1.** As explained to Councillors by the Council's Treasury advisors Arlingclose at the October 2015 briefing, the transposition of two European Union directives into UK legislation has placed the burden of rescuing failing EU banks disproportionately onto unsecured local authority investors. The combined effect is to leave public authorities and financial organisations as the only senior creditors likely to incur losses in a failing bank. The credit risk associated with making unsecured bank deposits has increased relative to the risk of other investment options.
- **3.2.** Given the risk and continued low returns from short-term unsecured bank investments, the Strategy enables the Council to diversify into more secure and/or higher yielding asset classes during 2016/2017. Diversification is of increasing importance in the context of the Council's reserves and balances reducing as they are called on to support the Council's organisational change programme. With diminishing reserves, the impact of a single counterparty default would be greater. This diversification represents a continuation of the new strategy adopted in 2015/2016.

#### 4. Proposed changes to Investment Strategy

**4.1.** The minimum credit rating for investments permissible under the current Strategy is long-term 'A'. A proviso was built into the current Strategy that, in the event of widespread downgrading of major UK banks by credit rating agencies in response to the implementation of the bail-in provisions of the EU Bank Recovery and Resolution Directive, unsecured deposits can be made with banks with a rating of 'A-' (maximum duration 6 months) or 'BBB+' (maximum duration 100 days).

- **4.2.** Widespread significant downgrading has not materialised in 2015/2016, and Arlingclose advise that their clients can consider adopting a minimum credit rating criteria of long term 'BBB+', two marks below the 'A' rating. It is proposed to exercise more caution, and to move to a minimum credit rating of long term 'A-' for investments made in 2016/2017. In the event of a widespread downgrade affecting all prospective counterparties, investments with counterparties rated at BBB+ or below would be permissible. Unsecured deposits with a bank rated at 'BBB' would be restricted to overnight deposits at the Council's current account bank only.
- **4.3.** Appendix C (page 24) of the Strategy sets out approved counterparty types and limits for 2016/2017 in detail. A limit of £2m per counterparty will apply, with the exception of investments with Government bodies (unlimited) and pooled funds, for example Money Market Funds, for which the individual limit will be £3m. With the exception of the change to the long-term credit rating criteria referred to above, all counterparty types and investment durations remain unchanged from the current Strategy.
- **4.4.** It should be noted that the presence of a counterparty type on the list at Appendix C does not necessarily mean that it will be used by the Council. Arlingclose have noted that the Council's investment returns in 2015/2016 are below those achieved by their other local authority clients, which have actively diversified and lengthened the duration of their investments. Officers intend to adopt a similarly flexible approach in 2016/2017, looking for opportunities to invest, for example, in covered bonds issued by Banks or property funds.

#### 5. Borrowing Strategy

- **5.1.** The current approach of 'internal borrowing' (ie using cash held as balances, reserves and working capital as an alternative to long-term borrowing) as a means of funding capital expenditure will continue in 2016/2017.
- **5.2.** The Council will remain open to the possibility of debt rescheduling (ie replacing an existing loan with a new loan or loans, or repaying a loan without replacement) where this is expected to lead to an overall saving or reduction in risk.

#### **Risk Management Implications**

**6.** The risk management implications associated with this activity are explained in the Strategy Statement.

#### **Financial Implications**

7. All relevant implications are referred to in the Strategy Statement.

#### **Legal Implications**

8. The legislative context is set out in the Strategy Statement.

#### **Equality Screening**

**9.** The contents of this report is technical in nature, relating to the management of the Council's investments and borrowing. As such, Equality Screening was not required.

#### Appendix

**10.** Appendix 1 – Treasury Management Strategy Statement and Investment Strategy 2016/2017 to 2018/2019.

#### **Background Papers**

11. Treasury Strategy Statement 2015/2016 http://www.lewes.gov.uk/council/20987.asp

### **Lewes District Council**

# Treasury Management Strategy Statement and Investment Strategy 2016/17 to 2018/19

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#### 1. Executive Summary

- 1.1 Borrowing the Council can borrow to finance capital expenditure in a similar way to an individual taking out a mortgage to buy a house. At 31 March 2016, total cumulative capital expenditure which will need to be funded amounts to £70.9 m. The actual long term-borrowing (the mortgage) that we have is only £56.7m because we are using the cash held in our reserves to make up the difference, rather than invest that money. (See Sections 6 and 7 for the details).
- 1.2 Debt rescheduling The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall saving or reduction in risk. (See Section 8 for the details).
- 1.3 Accounting for debt the Council will adopt a two-Pool approach in order to manage and account for the debt of the General Fund/Housing Revenue Account. (See Section 9 for the details).
- 1.4 Investing at any given time, the Council has varying amounts of cash consisting of reserves and balances, as well as working capital, which must be held securely. The security of our investments is our highest priority. We have defined the types of investment that we will make and the criteria that those organisations with which we will deal must meet. (See Sections 10 and 11 for the details).
- 1.5 Providing for the repayment of debt we will continue to make annual provisions to repay our long term borrowing, and will also build up a fund in the Housing Revenue Account Balance so that debt can be repaid if we choose to do so. (See Section 13 for the details).
- 1.6 Reporting we will closely monitor our Treasury Management activity and make reports to every meeting of the Council's Audit and Standards Committee and Cabinet. (See Section 14 for the details).

#### 2. Treasury Management Defined

2.1 The Council defines its Treasury Management activities as:

"the management of the Council's 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."

2.2 Treasury Management is not undertaken in isolation. The Council acknowledges that effective Treasury Management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in Treasury Management and ensuring that performance is monitored and reported. All Treasury Management activity takes place within the context of effective risk management.

#### 3. Scope of the Treasury Management Strategy Statement

- 3.1 This Strategy Statement sets out the Council's approach to financing (borrowing) and investment for the financial year but also sets the context for the following two years.
- 3.2 The Council has adopted the Chartered Institute of Public Finance and Accountancy's (CIPFA's) Code of Practice for Treasury Management in Public Services (the "TM Code"). This requires local authorities to determine the Treasury Management Strategy Statement (TMSS) before the start of the financial year.
- 3.3 The Department for Communities and Local Government. (DCLG) issued revised 'Guidance on local Authority Investments' in 2010 that requires each local authority to approve an investment strategy before the start of each financial year. This Strategy Statement incorporates that formal Investment Strategy.
- 3.4 The Strategy sets out the context to Treasury Management in terms of the Council's financial resources as measured in its Balance Sheet and external factors, in particular the outlook for interest rates. It considers how the Revenue Budget and Capital Programme will impact on the Balance Sheet position.

#### 4. Approach to Risk

- 4.1 The Council has borrowed and expects to invest substantial sums of money and is therefore exposed to financial risks including the revenue effect of changing interest rates and, in the extreme, the loss of invested funds.
- 4.2 The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its Treasury Management activities will be measured. Accordingly, the analysis and reporting of Treasury Management activities will focus on their risk implications for the Council. No Treasury Management activity is without risk. The main risks to the Council's Treasury activities are:
  - Credit and Counterparty Risk (security of investments)
  - Liquidity Risk (adequacy of cash resources)
  - Market or Interest Rate Risk (exposure to fluctuations in interest rate levels)
  - Inflation Risk (exposure to inflation)
  - Refinancing Risk (impact of debt maturing in future years)
  - Legal & Regulatory Risk (compliance with statutory powers and regulatory requirements)
  - Fraud, Error and Corruption and Contingency Management (maintenance of sound systems and procedures)

#### 5. External Context

#### 5.1 Economic Background

Domestic demand has grown robustly, supported by sustained real income growth and a gradual decline in private sector savings. Low oil and commodity prices were a notable feature of 2015, and contributed to annual inflation falling to 0.1% in October as measured by the Consumer Prices Index (CPI). Wages are growing at 3% a year, and the unemployment rate has dropped to 5.4%. Mortgage approvals have risen to over 70,000 a month and annual house price growth is around 3.5%. These factors have boosted consumer confidence, helping to underpin retail spending and hence GDP growth, which was an encouraging 2.3% a year in the third quarter of 2015. Although speeches by the Bank of England's Monetary Policy Committee (MPC) members sent signals that some were willing to countenance higher interest rates, the MPC held policy rates at 0.5% for the 81st consecutive month at its meeting in November 2015.

The outcome of the UK general election, which was largely fought over the parties' approach to dealing with the deficit in the public finances, saw some big shifts in the political landscape and put the key issue of the UK's relationship with the EU at the heart of future politics. Uncertainty over the outcome of the forthcoming referendum could put downward pressure on UK GDP growth and interest rates.

#### 5.2 Credit Outlook

The varying fortunes of different parts of the global economy are reflected in market indicators of credit risk. UK Banks operating in the Far East and parts of mainland Europe have seen their perceived risk increase, while those with a more domestic focus continue to show improvement.

Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the UK, USA and Germany. The rest of the European Union will follow suit in January 2016, while Australia, Canada and Switzerland are well advanced with their own plans. Changes to the UK Financial Services Compensation Scheme mean that most private sector investors are now partially or fully exempt from contributing to a bail-in. The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Council; returns from cash deposits however remain stubbornly low.

The continued global economic recovery has led to a general improvement in credit conditions since last year. However, due to the above legislative changes, the credit risk associated with making unsecured bank deposits will increase relative to the risk of other investment options available to the Council.

#### 5.3 Outlook for Interest Rates

The detailed economic interest rate outlook provided by the Council's Treasury advisor, Arlingclose Ltd, is attached at Appendix A. In summary, Arlingclose forecasts the first rise of 0.25% in the UK Bank Rate in the third quarter of 2016, rising by 0.5% a year after, and finally settling between 2% and 3% in several years' time. Persistently low inflation, subdued global growth and concerns over the UK's future position in Europe mean that the risks to this forecast are on the downside (ie interest rates might rise more slowly).

Arlingclose forecasts a slow increase in long-term borrowing rates. Arlingclose is projecting the 10 year gilt yield (which is an indicator of borrowing rates) to rise from its current 2.0% level by around 0.3% per year.

- 5.4 Interest rates are of fundamental importance to the Council's Treasury Management operation. The ideal scenario would be to make shortduration investments if interest rates are low and are expected to rise significantly in the near future and to invest for longer periods if interest rates are considered to be close to their peak. In terms of borrowing, it is preferable to borrow short-term when interest rates are high and expected to fall and to undertake long-term borrowing when interest rates are low and expected to rise.
- 5.5 The estimate for external interest payments in 2016/2017 is £1.73m, unchanged from 2015/2016, and for external interest receipts is £0.104m (2015/2016 £0.075m).
- 5.6 The Council's need to borrow and its ability to invest are interrelated, as explained elsewhere in this Strategy Statement. The Council will reappraise its strategy in both of these areas from time to time and, if needs be, realign it with evolving market conditions and expectations for future interest rates. Any such changes will require the prior approval of Cabinet.

#### 6. The Need to Borrow Long Term

- 6.1 Other than for temporary cash flow purposes, local authorities are only allowed to borrow to finance capital expenditure (eg the purchase of property, vehicles or equipment which will last for more than one year, or the improvement of such assets). The Government limits the amount borrowed by local authorities for housing purposes only by specifying 'debt caps'. This Council's underlying debt cap has been fixed at £72.931m. In 2014/2015 local authorities were able to bid for an increase in its housing debt cap in order to enable specific projects. A bid from this Council was successful and this Council's debt cap will increase to £75.248m to match expenditure incurred in building new houses on 7 specified former garage sites.
- 6.2 In accounting terms, the underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. In recent years, the Council's strategy has been to maintain

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borrowing and investments below their underlying levels, known as internal borrowing, and this remains the Strategy for 2016/2017.

- 6.3 The CFR is, in simple terms, the amount of capital expenditure which has been incurred by the Council but which has not yet been paid for (by using, for example, grants, capital receipts, reserves or revenue income) and in the meantime is covered by internal or external borrowing. 'External borrowing' is where loans are raised from the Public Works Loans Board (PWLB) or banks. Alternatively it is possible to 'internally borrow' the significant levels of cash which has been set aside in Balances and Reserves and which would otherwise need to be invested with banks or other counterparties..
- 6.4 The CFR is calculated each year in accordance with a statutory formula. As noted above, the level of CFR increases each year by the amount of capital expenditure which is yet to be financed and is reduced by the amount that the Council sets aside for the repayment of borrowing. This is illustrated in the table below. Amounts from 2016/2017 onwards are indicative. Projected capital expenditure in 2016/2017 with a financing requirement includes projects for the construction of 30 new affordable homes (£2.5m) and the relocation of the Robinson Road depot (£3.5m). Significant un-financed expenditure on the New Homes Project is factored in to 2017/2018 and 2018/2019.

	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m
Opening CFR	71.448	69.979	70.893	75.049	76.965
Capital exp in year	10.006	13.753	17.471	10.862	15.836
Less financed	-9.613	-10.982	-11.469	-6.784	-6.720
Less amount set aside for debt					
repayment	-1.862	-1.857	-1.846	-2.152	-2.134
Closing CFR	69.979	70.893	75.049	76.975	83.957

6.5 The overall CFR can be split between the General Fund and Housing Revenue Account as follows:

	2014/15	2015/16	2016/17	2017/18	2018/19
	£m	£m	£m	£m	£m
HRA CFR	65.474	63.98	64.982	67.381	74.818
General Fund					
CFR	4.505	6.913	10.067	9.594	9.139
Total CFR	69.979	70.893	75.049	76.975	83.957

6.6 The following table compares the CFR with the amount that the Council holds in balances and reserves as well as working capital (day to day cash movements as well as grants, developer contributions and capital receipts held pending use):

	31/3/15 £m	31/3/16 £m	31/3/17 £m	31/3/18 £m	31/3/19 £m
(a) Capital Financing Requirement	69.979	70.893	75.049	76.975	83.957
(b) Actual external borrowing	-56.673	-56.673	-56.673	-56.673	-56.673
(c) Use of Balances, Reserves and working capital as alternative to borrowing (a)–(b)	13.306	14.22	18.376	20.302	27.284
(d) Total Balances and Reserves	15.357	10.474	8.754	7.905	7.903
(e) Working capital	7.669	12.098	13.944	17.597	21.231
(f) Amount used as an alternative to borrowing (c) above	-13.306	-14.22	-18.376	-20.292	-27.264
(g) Total investments (d)+(e)+(f)	9.720	8.352	4.322	5.200	1.850

- 6.7 The table above (line b) assumes that the current external loan portfolio is unchanged across the period. The potential for and approach to repaying or rescheduling existing loans is explained in Section 8 below.
- 6.8 Line g in the table above indicates that it will be possible to continue the current approach of internal borrowing as an alternative to raising new external loans, which remain at their current level across the period (line b). However, it will be necessary to monitor the position closely as projections of the capital programme, use of reserves, capital receipts generated from the sale of assets and the level of working capital shown in the later years are less certain. Market conditions, interest rate expectations and counterparty and credit risk considerations will influence the Council's strategy in determining the borrowing and investment activity against the underlying Balance Sheet position. The following section explains the approach to borrowing in more depth.

#### 7. Borrowing Strategy

- 7.1 As noted above, the Council's underlying need to borrow for capital purposes is measured by reference to its CFR. In respect of General Fund activities, local authorities are required to make a charge to Revenue budgets each year to ensure that the underlying need to borrow is eliminated over the longer term. This charge is known as the Minimum Revenue Provision for Debt Redemption (MRP). There is no requirement to make a provision to reduce HRA borrowing, although it is prudent to do so.
- 7.2 Capital expenditure not paid for from internal resources (i.e. Capital Receipts, Capital Grants and Contributions, Revenue or Reserves) will produce an increase in the CFR (the underlying need to borrow) and in turn produce increased annual MRP charges in the Revenue Account.
- 7.3 In accordance with the Prudential Code, the Council will ensure that net external borrowing does not, except in the short term, exceed its highest CFR over the next three years.

The cumulative estimate of the Council's long-term borrowing requirement in respect of historic and planned capital expenditure is shown in the table below. Increases resulting from the projects listed in paragraph 6.4 above

	31/03/2016 Estimate £m	31/03/2017 Estimate £m	31/03/2018 Estimate £m	31/03/2019 Estimate £m
Capital Financing Requirement	70.9	75.0	77.0	83.9
Less: Profile of current Borrowing	-56.7	-56.7	-56.7	-56.7
Cumulative Maximum External Borrowing Requirement	14.2	18.3	20.3	27.2

are offset over the period though to 2018/2019 by provision being made by the HRA for the repayment of debt.

- 7.4 The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.
- 7.5 Given the projected reduction in revenue funding from the Government through to 2019/2020 and the Council's General Fund savings target of £2.7m over that period, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio, With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead. By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. For example, the current rates (January 2016) available to the Council for 2-year and 5-year PWLB maturity loans are 1.48% and 2.08% respectively compared with 0.25% which can be earned on a temporary deposit with the Government.
- 7.6 The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. At some stage the level of General Fund Reserves and Balances will become depleted (as they are used for the purpose for which the funds were set aside) restricting the ability to borrow internally. The Council's appointed Treasury advisor, Arlingclose, will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2016/2017 with a view to keeping future interest costs low, even if this causes additional cost in the short-term. Any decision to borrow will be confirmed with the Cabinet.
- 7.7 The Council may borrow short-term loans (normally up to one month) to cover unexpected cash flow shortages should they arise.
- 7.8 The approved sources of new long-term and short-term borrowing will be:
  - Public Works Loans Board (and any successor body)

- UK Local Authorities
- any bank or building society approved for investments (see Section 11) below.
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

In the event that alternative sources of borrowing are identified in the year, which are considered to be more appropriate in the context of the overall strategy, a report will be made to Cabinet and Council. Arlingclose will assist the Council with the analysis of options.

- 7.9 The Council has previously raised the majority of its long-term borrowing from the PWLB, and this remains an attractive source of borrowing, given the transparency and control that its facilities continue to provide. However, the Council will investigate other sources of finance, such as local authority loans and bank loans that may be available at more favourable rates.
- 7.10 The Local Government Association established the UK Municipal Bonds Agency plc in 2014 as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for a number of reasons including the fact that there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from this source will therefore be the subject of a separate report to full Council.

#### 8. Debt Rescheduling

8.1 At the time of preparing this Strategy, the Council's loan portfolio was as shown in the table overleaf. All of the PWLB loans listed below were taken out in March 2012 in order to finance the payment to the Government needed for the national transition to self-financing for local authority housing. The Lender's Options Borrower's Option (LOBO) loan shown in the table above was taken out in April 2004 at the rate of 4.5% with a term of 50 years. Every 4 years, the Lender has the option to increase the interest rate, and if it does so, the Council has the right to repay. The next date when the rate/terms of the loan will be reviewed is April 2016. Although the Council understands that Barclays is unlikely to exercise its option in the current low interest rate environment, the Council will take the option to repay the LOBO loan at no cost if it has the opportunity to do so.

Lender	Interest	Amount £m	Rate %	Maturity
PWLB	Fixed	4.00	2.7000	01/03/2024
PWLB	Fixed	5.00	3.3000	01/03/2032
PWLB	Fixed	2.00	3.0500	01/09/2027
PWLB	Fixed	2.00	2.7600	01/09/2024
PWLB	Fixed	4.00	2.9700	01/09/2026
PWLB	Fixed	5.00	3.2800	01/09/2031
PWLB	Fixed	4.00	2.6300	01/09/2023
PWLB	Fixed	5.00	3.4400	01/03/2037
PWLB	Fixed	6.67	3.5000	01/03/2042
PWLB	Fixed	5.00	3.4300	01/09/2036
PWLB	Variable	5.00	0.6200	28/03/2022
PWLB	Fixed	4.00	3.0100	01/03/2027
	Sub-total	51.67		
Barclays	LOBO	5.00	4.5000	06/04/2054
	Total	56.67		

8.2 The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to set a formula based on current interest rates. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall saving or reduction in risk. Any intended debt rescheduling activity will be confirmed with the Cabinet Member for Finance and reported to the next Cabinet meeting.

#### 9. The Housing Revenue Account Share of Treasury Management Costs.

- 9.1 Local authorities are required to recharge interest expenditure and income attributable to the HRA in accordance with Determinations issued by the DCLG. The Determinations do not set out a methodology for calculating the interest rate to use in each instance. The Council is therefore required to adopt a policy that will set out how interest charges attributable to the HRA will be determined. The CIPFA Code recommends that authorities present this policy in their Strategy Statement.
- 9.2 The Council has adopted a '2 pool' (General Fund and HRA) approach to accounting for long-term loans. All current loans were allocated to the HRA on the introduction of 'self-financing'. Any new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/credited to the respective revenue account.
- 9.3 At the start of each year, an assessment will be made of the difference between the value of the HRA loans pool and the HRA's underlying need to borrow. If the resulting cash balance is negative, an 'internal loan' will be advanced from the General Fund (Reserves and Balance) to the HRA and interest charged at a rate equivalent to a one-year maturity loan from the PWLB at the start of the financial year. This is a reasonable approach and

reflects the fact that strategic borrowing decisions will generally be made on an annual basis, as demonstrated in this Strategy. The same approach will be adopted for any new internal borrowing required in the year to support the cost of HRA capital expenditure not anticipated in the initial annual capital programme.

#### 10. The Need to Invest

- 10.1 As shown in the table in paragraph 6.6 the Council currently holds healthy Reserves and Balances (£10.5m projected at 31 March 2016 excluding s106 Developer Contributions and Capital Receipts which will be used to fund the future Capital Programme). In simple terms, Reserves represent amounts of money which have been set aside for use in future years for specific purposes (eg to pay for the replacement of vehicles at the end of their useful life) and Balances are cash which is retained both to ensure that the Council is able to respond effectively if an unforeseen event arises (eg the failure of a major contractor) and also to act as a buffer against unpredicted cash flow movements. Reserves and Balances are forecast to reduce over the next three years as they are called upon to support projects, services and the Council's deficit reduction programme.
- 10.2 Although a proportion of the Reserves and Balances are being used as an alternative to external long-term borrowing, this still leaves a residual amount as retained cash. In addition, the Council's cash flow movements fluctuate on a day to day basis, with cash received exceeding cash paid out at key points over the year. For example, at the start of 2015/2016 £13m was available for investment but the maximum amount invested at any point in the year was £34m. The purpose of the Investment Strategy is to define the conditions under which this 'surplus' cash is to be managed, with the priority being security of the sums invested.
- 10.3 DCLG Guidance on Local Government Investments in England requires authorities to set an Annual Investment Strategy. The speculative procedure of borrowing purely in order to invest is unlawful. However, taking on new external loans to reduce the level of internal borrowing is permissible, and, if this takes place, the Council will place importance on the flexibility of its loan portfolio as well as the liquidity of its investments.

#### 11. Investment Strategy

11.1 The Council's general policy objective is to invest its surplus funds prudently, striking a balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. The Council's investment priorities are:

highest priority -	security of the invested capital;
followed by -	liquidity of the invested capital (this enables the Council to react to changing circumstances)
finally -	an optimum yield which is commensurate with security and liquidity.

- 11.2 Given the increasing risk and continued low returns from short-term unsecured bank investments, the Council aims to diversify into more secure and/or higher yielding asset classes during 2016/2017. This is especially the case for funds that are identified as being available for longer-term investment. Although this approach was enabled by the 2015/2016 strategy, it was not actively pursued in that year.
- 11.3 The Council may invest its surplus funds with any of the counterparty types identified in Appendix C, subject to the cash limits (per counterparty) and the time limits shown. It is important to note that not all of the types of investment listed above will necessarily be used in 2016/2017, and some have not been used previously. Before any type of investment instrument is used for the first time (eg corporate bonds), the advice of Arlingclose will be sought.
- 11.4 Investment decisions will be made by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used.
- 11.5 The Council and its advisors remain vigilant at all times, monitoring signs of credit or market distress that might adversely affect the Council.
- 11.6 Credit ratings are obtained and monitored by Arlingclose who will notify changes in ratings as they occur. Where a counterparty has its credit rating downgraded so that it fails to meet the approved investment criteria then:
  - no new investments will be made
  - any existing investments that can be recalled or sold at no cost, will be recalled
  - full consideration will be given to the recall or sale of all other existing investments with the affected counterparty
- 11.7 Where a rating agency announces that a rating is on review for possible downgrade (also known as 'rating watch negative') below the approved investment criteria, then only investments that can be withdrawn on the next working day will be made with that counterparty until the outcome of the review is announced. This approach will not apply to 'negative outlooks' which indicate a long-term direction of travel rather than an imminent change of rating.
- 11.8 The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.
- 11.9 At times of deteriorating financial market conditions affecting the credit worthiness of all organisations (as happened in 2008 and 2011), the Council will restrict its investments to those organisations of higher credit

quality and reduce the maximum duration of its investments to maintain the required level of security. If these restrictions mean that insufficient commercial organisations of high credit quality are available for the investment of the Council's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities

11.10 Investments are categorised as 'Specified' or 'Non Specified' investments based on the criteria in the DCLG Guidance.

Specified investments are

- denominated in £ sterling
- o due to be repaid within 12 months of arrangement
- o not defined as capital expenditure by legislation
- invested with the UK Government or local authority or a body or investment scheme of high credit quality'

Non specified investments are, effectively, everything else. The Council does not intend to make any investments denominated in foreign currencies nor any that are defined as capital expenditure (eg company shares). Non-specified investments will therefore be limited to long-term investments ie those that are due to mature 12 months or longer from the date of arrangement and investments with bodies and schemes not meeting the definition of 'high credit quality'.

11.11 The Council defines 'high credit quality' organisations and securities as those having a long-term credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds 'high credit quality' is defined as those having a credit rating of A- or higher.

	Cash limit
Total long-term investments	£2m
Total investments rated below A-	£5m
Total investments with institutions domiciled in foreign countries rated below AA+	£2m
Total non-specified investments	£9m

Limits on non-specified investments are shown below.

11.12 The Council's revenue reserves available to cover investment losses are forecast to be £8m on 31st March 2016. The maximum that will be lent to any one organisation (other than the UK Government) will be £2m. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

	Cash limit
Any single organisation, except the UK Central Government	£2m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£2m per group
Any group of pooled funds under the same management	£3m per manager
Negotiable instruments held in a broker's nominee account	£10m per broker
Foreign countries	£2m per country
Registered Providers	£4m in total
Money Market Funds	£10m in total

- 11.13 The Director of Corporate Services will undertake the most appropriate form of investments in keeping with the investment objectives, income and risk management requirements and Prudential Indicators. Confirmation that investments have been made in accordance with the Strategy will be reported to meetings of the Audit and Standards Committee and Cabinet.
- 11.14 All of the Council's investments are currently managed in-house and this approach will continue for the duration of this Strategy unless otherwise approved in advance by Cabinet.
- 11.15 The Council uses a spreadsheet model, updated daily, to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a pessimistic basis, with receipts under-estimated and payments over-estimated to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium term financial plan and cash flow forecast.
- 11.16 Investment of Money Borrowed in Advance of Need: The Council may, from time to time, borrow in advance of need, where this is expected to provide the best long term value for money. Since amounts borrowed will be invested until spent, the Council is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Council's overall management of its treasury risks. The maximum period between borrowing and expenditure is expected to be two years, although the Council is not required to link particular loans with particular items of expenditure.

#### 12. The Use of Financial Instruments for the Management of Risks

12.1 Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (eg interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of

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standalone financial derivatives (ie those that are not embedded into a loan or investment).

- 12.2 The CIPFA Code requires authorities to clearly detail their policy on the use of derivatives in the annual strategy. The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.
- 12.3 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

#### 13. Providing for Debt Repayment - 2016/17 Minimum Revenue Provision Statement

- 13.1 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414) place a duty on local authorities to make a prudent provision for debt redemption. Guidance on this MRP has been issued by the Secretary of State and local authorities are required to "have regard" to such Guidance under section 21(1A) of the Local Government Act 2003.
- 13.2 The four MRP options available are:

Option 1: Regulatory Method	Option 2: CFR Method
Option 3: Asset Life Method	Option 4: Depreciation Method

- 13.3 Options 1 and 2 may be used only for supported non-HRA capital expenditure (ie where the Government supports the cost of financing new borrowing through a recurring grant). Methods of making prudent provision for self financed non-HRA capital expenditure include Options 3 and 4 (which may also be used for supported expenditure if the Council chooses). There is no requirement to charge MRP in respect of HRA capital expenditure funded from borrowing.
- 13.4 The MRP Statement will be submitted to Council before the start of the financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement will be put to Council at that time.
- 13.5 The Council's Policy for making a MRP will remain unchanged in 2016/2017:

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- there is no expectation that the Council will have the opportunity to incur capital expenditure which is supported expenditure, but if so Option 1 will apply – MRP will be equal to the amount determined in accordance with the former regulations 28 and 29 of the Local Authorities Capital Finance and Accounting (England) Regulations 2003 as if they had not been revoked.
- In the event that capital expenditure is incurred which is not Supported Capital Expenditure and is therefore self-financed, Option 3 will apply – MRP will be calculated according to the asset life method and will be made in equal instalments over the life of the asset.
- 13.6 The Housing Revenue Account 30-year Business Plan includes the principle that the long-term borrowing required on the move to self-financing will be repaid at the earliest opportunity. However, there is no requirement to do so and become 'debt-free'. In order to maintain flexibility, resources will be set aside in the HRA balance for potential debt repayment, but formal Revenue Provisions (which cannot be reversed) will not be made other than to reduce internal borrowing from the General Fund.

#### 14. Reporting on the Treasury Outturn

The Director of Corporate Services will report on Treasury Management activity/performance as follows:

Report to/Coverage	Frequency:		
Council			
Treasury Management Strategy/Annual Investment	Annually before start of the year		
Strategy/MRP Policy			
Treasury Management Strategy/Annual Investment	Annually mid year		
Strategy/MRP Policy – mid year report			
Treasury Outturn report	Annually after year end and by		
	30 September		
Cabinet			
Receives each of the above reports in advance of	In advance of year/mid-year/after		
Council and makes recommendations as appropriate	year end and by 30 September		
Receives confirmation that Treasury transactions	Every cycle		
have complied with Strategy			
Audit and Standards Committee			
Receives each of the above reports in advance of	In advance of year/mid-year/after		
Cabinet (where publication timetable permits) and	year end and by 30 September		
makes observations as appropriate			
Reviews details of Treasury transactions against	Every cycle		
Strategy and makes observations to Cabinet			

#### 15. Training

15.1 The TM Code requires the Director of Corporate Services, as responsible officer, to ensure that all councillors tasked with Treasury Management responsibilities, including scrutiny of the Treasury Management function, receive appropriate training relevant to their needs and understand fully

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their roles and responsibilities. Arlingclose will be asked to continue the briefing programme for Councillors which has been running since 2009 (the most recent session was held in October 2015).

15.2 The training needs of the Council's Treasury Management staff will be reviewed as part of the annual corporate staff appraisal/training needs assessment process for all Council employees. The Council's contract with Arlingclose includes provision for staff to attend training seminars and workshops.

#### **16. Investment Consultants**

- 16.1 The Council has appointed Arlingclose as its financial advisers for the period 1 July 2012 to 30 June 2016, with an option to extend for a further year at the discretion of the Council. The views of the Audit and Standards Committee and Cabinet will be sought in deciding whether to exercise this discretion.
- 16.2 Arlingclose will be the Council's primary source of information, advice and assistance relating to investment activity. Individual investment decisions are made by the Council. Review meetings are held at least twice a year, at which the quality of the service received to date is discussed.

#### 17. Publication

The Annual Treasury Management Statement and Investment Strategy, along with any in-year revisions, can be downloaded from <u>www.lewes.gov.uk</u> and is also available on request to the Director of Corporate Services, Southover House, Southover Road, Lewes, or by email to <u>finance@lewes.gov.uk</u>.

	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
Official Bank Rate													
Upside risk		0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.50	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.50	1.75	1.75
Downside risk				-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-1.00	-1.00	-1.25	-1.25
3-month LIBID rate													
Upside risk	0.20	0.30	0.30	0.30	0.35	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.40
Arlingclose Central Case	0.55	0.60	0.70	0.80	0.95	1.05	1.15	1.30	1.40	1.55	1.65	1.80	1.85
Downside risk		-0.20	-0.30	-0.45	-0.55	-0.65	-0.80	-0.90	-1.05	-1.10	-1.20	-1.20	-1.20
1-yr LIBID rate													
Upside risk	0.25	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.45	0.45	0.45	0.45	0.45
Arlingclose Central Case	1.10	1.20	1.35	1.45	1.55	1.70	1.80	1.95	2.00	2.10	2.15	2.15	2.15
Downside risk	-0.15	-0.25	-0.35	-0.50	-0.60	-0.70	-0.85	-0.95	-1.10	-1.15	-1.25	-1.25	-1.25
5-yr gilt yield													
Upside risk	0.40	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60
Arlingclose Central Case	1.50	1.55	1.60	1.70	1.80	1.90	2.00	2.10	2.20	2.25	2.30	2.35	2.35
Downside risk	-0.35	-0.45	-0.55	-0.60	-0.70	-0.80	-0.90	-1.00	-1.10	-1.15	-1.20	-1.25	-1.25
10-yr gilt yield													
Upside risk	0.40	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60
Arlingclose Central Case	2.00	2.05	2.10	2.20	2.30	2.40	2.50	2.60	2.65	2.70	2.75	2.80	2.80
Downside risk	-0.35	-0.45	-0.55	-0.60	-0.70	-0.80	-0.90	-1.00	-1.10	-1.15	-1.20	-1.25	-1.25
20-yr gilt yield													
Upside risk	0.40	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60
Arlingclose Central Case	2.45	2.50	2.55	2.55	2.60	2.65	2.70	2.75	2.80	2.85	2.90	2.95	2.95
Downside risk	-0.30	-0.40	-0.50	-0.55	-0.65	-0.75	-0.85	-0.95	-1.05	-1.10	-1.15	-1.20	-1.20
50-yr gilt yield													
Upside risk	0.40	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60
Arlingclose Central Case	2.45	2.50	2.55	2.60	2.65	2.70	2.75	2.80	2.85	2.90	2.95	3.00	3.00
Downside risk	-0.25	-0.35	-0.45	-0.50	-0.60	-0.70	-0.80	-0.90	-1.00	-1.05	-1.10	-1.15	-1.15

#### Appendix A - Arlingclose's Economic and Interest Rate Forecast

#### Underlying assumptions:

- UK economic growth softened in Q3 2015 but remained reasonably robust; the first estimate for the quarter was 0.5% and year-on-year growth fell slightly to 2.3%. Negative construction output growth offset fairly strong services output, however survey estimates suggest upwards revisions to construction may be in the pipeline.
- Household spending has been the main driver of GDP growth through 2014 and 2015 and remains key to growth. Consumption will continue to be supported by real wage and disposable income growth.
- Annual average earnings growth was 3.0% (including bonuses) in the three months to August. Given low inflation, real earnings and income growth continue to run at relatively strong levels and could feed directly into unit labour costs and households' disposable income. Improving productivity growth should support pay growth in the medium term. The development of wage growth is one of the factors being closely monitored by the MPC.
- Business investment indicators continue to signal strong growth. However the outlook for business investment may be tempered by the looming EU referendum, increasing uncertainties surrounding global growth and recent financial market shocks.

- Inflation is currently very low and, with a further fall in commodity prices, will likely remain so over the next 12 months. The CPI rate is likely to rise towards the end of 2016.
- China's growth has slowed and its economy is performing below expectations, which in turn will dampen activity in countries with which it has close economic ties; its slowdown and emerging market weakness will reduce demand for commodities. Other possible currency interventions following China's recent devaluation will keep sterling strong against many global currencies and depress imported inflation.
- Strong US labour market data and other economic indicators suggest recent global turbulence has not knocked the American recovery off course. Although the timing of the first rise in official interest rates remains uncertain, a rate rise by the Federal Reserve seems significantly more likely in December given recent data and rhetoric by committee members.
- Longer term rates will be tempered by international uncertainties and weaker global inflation pressure.

#### Forecast:

- Arlingclose forecasts the first rise in UK Bank Rate in Q3 2016. Further weakness in inflation, and the MPC's expectations for its path, suggest policy tightening will be pushed back into the second half of the year. Risks remain weighted to the downside. Arlingclose projects a slow rise in Bank Rate, the appropriate level of which will be lower than the previous norm and will be between 2 and 3%.
- The projection is for a shallow upward path for medium term gilt yields, with continuing concerns about the Eurozone, emerging markets and other geo-political events, weighing on risk appetite, while inflation expectations remain subdued.
- The uncertainties surrounding the timing of UK and US monetary policy tightening, and global growth weakness, are likely to prompt short term volatility in gilt yields.

#### Appendix B – Prudential Indicators 2016/2017 to 2018/2019

#### 1. Background:

There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators. Some of the Prudential Indicators relate directly to the Council's Capital Programme and are considered by Cabinet when the Capital Programme is set. These Indicators are also included below for completeness of reporting.

#### 2. Net Borrowing and the Capital Financing Requirement:

- 2.1 This is a key indicator of prudence. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the local authority should ensure that the net external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.
- 2.2 The Director of Corporate Services reports that the Council has had no difficulty meeting this requirement in 2015/2016, nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the draft budget for 2016/2017.

#### 3. Estimates of Capital Expenditure (direct link to Capital Programme)

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax and in the case of the HRA, housing rent levels.

No.	Capital Expenditure	2015/16 Original £m	2015/16 Revised £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
1a	Non-HRA	4.842	9.514	8.731	1.449	1.385
1b	HRA	5.164	4.239	8.740	9.413	14.451
	Total	10.006	13.753	17.471	10.862	15.836

# 4. Ratio of Financing Costs to Net Revenue Stream (direct link to Capital Programme)

4.1 This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs.

4.2 The ratio is based on costs net of investment income. Where investment income exceeds interest payments, the indicator is negative.

No.	Ratio of Financing Costs to Net Revenue Stream	2015/16 Original %	2015/16 Revised %	2016/17 Estimate %	2017/18 Estimate %	2018/19 Estimate %
2a	Non-HRA	0.95	0.88	1.64	1.64	1.64
2b	HRA	20.69	20.82	15.71	15.71	15.71

#### 5. Capital Financing Requirement

5.1 The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. The calculation of the CFR is taken from the amounts held in the Balance Sheet relating to capital expenditure and its financing.

No	Capital Financing Requirement	2015/16 Original £m	2015/16 Revised £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
3a	Non-HRA	8.421	6.913	10.067	9.594	9.139
3b	HRA	65.613	63.980	64.982	67.381	74.818
	Total CFR	74.034	70.893	75.049	76.975	83.957

5.2 The year-on-year change in the CFR is set out below.

Capital Financing Requirement	2015/16 Original £m	2015/16 Revised £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
Balance B/F	70.709	69.979	70.893	75.049	76.965
Capital expenditure financed from borrowing	5.202	2.771	6.002	4.078	9.116
Revenue provision for Debt Redemption.	-1.877	-1.857	-1.846	-2.152	-2.134
Balance C/F	74.034	70.893	75.049	76.975	83.957

#### 6. Actual External Debt

This indicator is obtained directly from the Council's balance sheet. It is the closing balance for actual gross borrowing plus other long-term liabilities. This Indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

No.	Actual External Debt as at 31/03/2016	£m
4a	Borrowing	56.673
4b	Other Long-term Liabilities	0.080
4c	Total	56.753

# 7. Incremental Impact of Capital Investment Decisions Stream (direct link to Capital Programme)

This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax and Housing Rent levels. The incremental impact is

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calculated by comparing the total revenue budget requirement of the current approved capital programme with an equivalent calculation of the revenue budget requirement arising from the proposed capital programme. The revenue budget requirement includes the use of Reserves.

No.	Incremental Impact of Capital Investment Decisions	2015/16 Original £	2015/16 Revised £	2016/17 Estimate £	2017/18 Estimate £	2018/19 Estimate £
5a	Increase in Band D Council Tax	84.39	6.29	127.19	19.95	18.16
5b	Increase in Average Weekly Housing Rents	5.93	3.89	1.31	1.41	4.38

The increase in Band D council tax/average weekly rents reflects the funding of the capital programme: for example, funding from reserves utilises resources which could have otherwise been used to fund revenue expenditure.

#### 8. Authorised Limit and Operational Boundary for External Debt

- 8.1 The Council has an integrated Treasury Management strategy and manages its Treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the Council and not just those arising from capital spending reflected in the CFR.
- 8.2 The **Authorised Limit** sets the maximum level of external borrowing on a gross basis (i.e. not net of investments) for the Council. It is measured on a daily basis against all external borrowing items on the Balance Sheet (i.e. long and short term borrowing, overdrawn bank balances and long term liabilities). This Prudential Indicator separately identifies borrowing from other long term liabilities such as finance leases.
- 8.3 The Authorised Limit has been set on the estimate of the most likely, prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements.
- 8.4 The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit).

No.	Authorised Limit for External Debt	2015/16 Original £m	2015/16 Revised £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
6a	Borrowing	76.00	76.00	76.00	76.00	76.00
6b	Other Long-term Liabilities	0.50	0.50	0.50	0.50	0.50
6c	Total	76.50	76.50	76.50	76.50	76.50

8.5 The **Operational Boundary** links directly to the Council's estimates of the CFR and estimates of other cashflow requirements. This indicator is based

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on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.

8.6 The Director of Corporate Services has delegated authority, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities. Decisions will be based on the outcome of financial option appraisals and best value considerations. Any movement between these separate limits will be reported to the next meeting of the Cabinet.

No.	Operational Boundary for External Debt	2015/16 Original £m	2015/16 Revised £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
7a	Borrowing	70.50	70.50	70.50	70.50	70.50
7b	Other Long-term Liabilities	0.50	0.50	0.50	0.50	0.50
7c	Total	71.00	71.00	71.00	71.00	71.00

#### 9. Adoption of the CIPFA Treasury Management Code

This indicator demonstrates that the Council has adopted the principles of best practice.

#### No. Adoption of the CIPFA Code of Practice in Treasury Management

8 The Council approved the adoption of the revised CIPFA Treasury Management Code in February 2010. The Council has incorporated the changes from the CIPFA Code of Practice and subsequent revisions into its treasury policies, procedures and practices.

### 10. Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

- 10.1 These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. This Council calculates these limits on net principal outstanding sums ie fixed rate debt net of fixed rate investments.
- 10.2 The upper limit for variable rate exposure has been set to ensure that the Council is not exposed to interest rate rises which could adversely impact on the revenue budget.

No.		2015/16 Original £m	2015/16 Revised £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
9	Upper Limit for Fixed Interest Rate Exposure	76.5	76.5	76.5	76.5	76.5
10	Upper Limit for Variable Interest Rate Exposure	(27.5)	(27.5)	(27.5)	(27.5)	(27.5)

10.3 The limits above provide the necessary flexibility within which decisions will be made for drawing down new loans on a fixed or variable rate basis; the

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decisions will ultimately be determined by expectations of anticipated interest rate movements as set out in the Council's Treasury Management Strategy.

10.4 Because the Council's investments are substantially in excess of its variable rate borrowing, the Upper Limit for Variable Interest Rate exposure is shown as a negative figure.

#### 11. Maturity Structure of Fixed Rate borrowing

- 11.1 This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.
- 11.2 It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.

No.	Maturity structure of fixed rate borrowing	Lower Limit %	Upper Limit %
11a	under 12 months	0	70
11b	12 months and within 24 months	0	70
11c	24 months and within 5 years	0	75
11d	5 years and within 10 years	0	75
11e	10 years and above	0	100

#### 12. Upper Limit for total principal sums invested over 364 days

The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested.

No.	Upper Limit for total principal sums	2014/15 Original	2014/15 Revised	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
	invested over 364 days	°	%	%	%	%
12	Upper limit	50	50	50	50	50

#### 13. HRA Limit on Indebtedness

This Prudential Indicator is associated with the introduction of self-financing for housing. It indicates the residual capacity to borrow for housing purposes, while remaining within the overall HRA Debt Cap specified by the Government.

No	Capital Financing Requirement	2015/16 Original £m	2015/16 Revised £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
13a	HRA CFR	65.613	63.980	64.982	67.381	74.818
13b	HRA Debt Cap	75.248	75.248	75.248	75.248	75.248
	Difference	9.635	11.268	10.266	7.867	0.430

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Credit Rating	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£ <mark>2</mark> m	£2m	£2m	£2m	£2m
7000	5 years	20 years	50 years	20 years	20 years
AA+	£2m	£2m	£2m	£2m	£2m
	5 years	10 years	25 years	10 years	10 years
AA	£2m	£2m	£2m	£2m	£2m
AA	4 years	5 years	15 years	5 years	10 years
AA-	£2m	£2m	£2m	£2m	£2m
AA-	3 years	4 years	10 years	4 years	10 years
Δ.	£2m	£2m	£2m	£2m	£2m
A+	2 years	3 years	5 years	3 years	5 years
^	£2m	£2m	£2m	£2m	£2m
A	13 months	2 years	5 years	2 years	5 years
A-	£2m 6 months	£2m 13 months	No use	No use	No use
		See	note below		
BBB+	£2m 100 days	£2m 6 months	No use	No use	No use
BBB or BBB-	£2m next day only	£2m 100 days	No use	No use	No use
Pooled funds	£3m per fund				

#### Appendix C – Approved Investment Counterparties and Limits

Approved investments with institutions with credit ratings of BBB+ or below will only be permissible in the event of rating agencies downgrading the ratings of major UK banks in response to a change which impacts on all prospective counterparties. Updated advice from Arlingclose will be sought in these circumstances before new investments are made.

Further details of the counterparty types shown in the table above are as follows:

**Banks Unsecured:** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. Unsecured investment with banks rated BBB are restricted to overnight deposits at the Council's current account bank.

**Banks Secured:** Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is

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no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

**Government:** Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

**Corporates:** Loans and bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made as part of a diversified pool in order to spread the risk widely.

**Registered Providers:** Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain a high likelihood of receiving government support if needed.

**Pooled Funds:** Shares in diversified investment vehicles consisting of any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

### **Glossary of Treasury Management Terms**

Affordable Borrowing Limit	Each local authority is required by statute to determine and keep under review how much money it can afford to borrow. The Prudential Code (see below) sets out how affordability is to be measured.
Bank Rate	The main interest rate in the economy, set by the Bank Of England, upon which others rates are based.
Bonds	Debt instruments issued by government, multinational companies, banks and multilateral development banks. Interest is paid by the issuer to the bond holder at regular pre-agreed periods. The repayment date of the principal is also set at the outset.
Capital Expenditure	Spending on the purchase, major repair, or improvement of assets eg buildings and vehicles
Capital Financing Requirement (CFR)	Calculated in accordance with government regulations, the CFR represents the amount of Capital Expenditure that it has incurred over the years and which has not yet been funded from capital receipts, grants or other forms of income. It represents the Council's underlying need to borrow.
Chartered Institute of Public Finance and Accountancy (CIPFA)	CIPFA is one of the leading professional accountancy bodies in the UK and the only one that specialises in the public services. It is responsible for the education and training of professional accountants and for their regulation through the setting and monitoring of professional standards. Uniquely among the professional accountancy bodies in the UK, CIPFA has responsibility for setting accounting standards for a significant part of the economy, namely local government.
Counterparty Credit Default Swaps	Organisation with which the Council makes an investment CDS are a financial instrument for swapping the risk of debt default and are effectively an insurance premium. Local authorities do not trade in CDS but trends in CDS prices can be monitored as an indicator of relative confidence about the credit risk of counterparties.
Credit Rating	A credit rating is an independent assessment of the credit quality of an institution made by an organisation known as a rating agency. The rating agencies take many factors into consideration when forming their view of the likelihood that an institution will default on their obligations, including the institution's willingness and ability to repay. The ratings awarded typically cover the short term outlook, the long term outlook, as well as an assessment of the extent to which the parent company or the state will honour any obligations. At present, the three main agencies providing credit rating services are Fitch Ratings, Moody's and Standard and Poor's.
Fixed Deposits	Loans to institutions which are for a fixed period at a fixed rate of interest
Gilts	These are issued by the UK government in order to finance public expenditure. Gilts are generally issued for set periods and pay a fixed rate of interest. During the life of a gilt it will be traded at price decided in the market.

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Housing Revenue Account (HRA)	There is a statutory requirement for local authorities to account separately for expenditure incurred and income received in respect of the dwellings that they own and manage.
International Financial Reporting Standards (IFRS)	The set of accounting rules with which all local authorities have been required to comply from 1 April 2010.
Lenders' Option Borrower's Option (LOBO)	A long term loan with a fixed interest rate. On pre- determined dates (eg every five years) the lender can propose or impose a new fixed rate for the remaining term of the loan and the borrower has the 'option' to either accept the new imposed fixed rate or repay the loan.
LIBID	The rate of interest at which first-class banks in London will bid for deposit funds
Minimum Revenue Provision (MRP)	The minimum amount which must be charged to an authority's revenue account each year and set aside as provision for the repayment of debt.
Operational boundary	This is the most likely, prudent view of the level of gross external indebtedness. A temporary breach of the operational boundary is not significant.
Prudential Code/Prudential Indicators	The level of capital expenditure by local authorities is not rationed by central government. Instead the level is set by local authorities, providing it is within the limits of affordability and prudence they set themselves. The Prudential Code sets out the indicators to be used and the factors to be taken into account when setting these limits
Public Works Loan Board (PWLB)	A central government agency which provides long- and medium-term loans to local authorities at interest rates only slightly higher than those at which the Government itself can borrow.
Treasury Management Strategy Statement (TMSS)	Approved each year, this document sets out the strategy that the Council will follow in respect of investments and financing both in the forthcoming financial year and the following two years.
Treasury Bills (T-Bills)	These are issued by the UK Government as part of the Debt Management Office's cash management operations. They do not pay interest but are issued at a discount and are redeemed at par. T-Bills have up to 12 months maturity when first issued.

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