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Cabinet

4 February 2015

EASTBOURNE
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Agenda for meeting of the Cabinet to be held at 6.00 pm on Wednesday, 4 February 2015 in the Town Hall, Eastbourne

Members of the public are welcome to attend and listen to the discussion of items in the "open" part of the meeting. Please see notes at end of agenda concerning public rights to speak and ask questions.

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Members of the Cabinet:

Councillor David Tutt (Leader and Chairman of Cabinet): Responsibilities aligned with Chief Executive and including the Community Strategy, Local Strategic Partnership, the Corporate Plan and economic development.
Councillor Gill Mattock (Deputy Leader and Deputy Chairman of Cabinet): Financial services including accountancy, audit, purchasing and payments.
Councillor Margaret Bannister: Direct assistance services including revenues and benefits, housing and community development, bereavement services and the Crime Reduction Partnership.
Councillor Carolyn Heaps: Tourism and leisure services.
Councillor Troy Tester: Core support and strategic services.
Councillor Steve Wallis: Place services including cleansing and recycling, parks and downland, engineering, building and development control, planning policy and strategy, environmental health and licensing.

[KD] *against an item indicates that the matter involves a Key Decision and that the item has been listed in the Council's Forward Plan for at least 28 clear days.*

[BPF] *against an item indicates that the matter is part of the Council's Budget and Policy Framework and as such will require the approval of the Full Council.*

Publication of this agenda also constitutes notice (or confirmation that such notice has previously been given) to the Chairman of the Scrutiny Committee and members of the public as appropriate:
(1) Under regulation 10(3) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 in respect of any key decision not included in the Council's Forward Plan of Key Decisions within 28 days of this meeting. Such items (if any) are marked ***[KDGE]*** *and the reasons why compliance with regulation 9 (publicity in connection with key decisions) was impracticable are given.*

(2) Under regulation 5(4) of the above mentioned regulations that certain matters listed on this agenda (if any) may need to be considered in private. (This notice is given further to the earlier notice given under regulation 5(2). The reasons for private consideration are given at the relevant item, together with details of representations received (if any) about why the meeting should be open to the public.

1 Minutes of the meeting held on 10 December 2014 (Pages 1 - 16)

2 Apologies for absence.

Councillor Heaps has given her apologies.

3 Declarations of interests by members.

Declarations of disclosable pecuniary interests (DPIs) by members as required under Section 31 of the Localism Act and of other interests as required by the Code of Conduct and regulation 12(2)(d) of the 2012 Access to Information Regulations. (Please see note at end of agenda).

4 Questions by members of the public.

On matters not already included on the agenda and for which prior notice has been given (total time allowed 15 minutes).

5 Urgent items of business.

The Chairman to notify the Cabinet of any items of urgent business to be added to the agenda.

6 Right to address the meeting/order of business.

The Chairman to report any requests received to address the Cabinet from a member of the public or from a Councillor in respect of an item listed below and to invite the Cabinet to consider taking such items at the commencement of the meeting.

7 **Corporate performance - Quarter 3 2014/15 (KD).** (Pages 17 - 64)

Report of Deputy Chief Executive and Chief Finance Officer and Senior Head of Corporate Development and Governance.
Cabinet lead members: Councillors Gill Mattock and Troy Tester.

8 **General fund revenue budget 2015/16 and capital programme 2014/18 (BPF).** (Pages 65 - 88)

Report of Deputy Chief Executive and Chief Finance Officer.
Cabinet lead member: Councillor Gill Mattock.

9 **Treasury management and prudential indicators 2015/16 (BPF).** (Pages 89 - 108)

Report of Deputy Chief Executive and Chief Finance Officer.
Cabinet lead member: Councillor Gill Mattock.

10 **Housing revenue account (HRA) revenue budget and rent setting 2015/16 and HRA capital programme 2014/17 (BPF).** (Pages 109 - 122)

Report of Senior Head of Community and Deputy Chief Executive and Chief Finance Officer.
Cabinet lead members: Councillors Margaret Bannister and Gill Mattock.

11 **Adoption of the Eastbourne community infrastructure levy (CIL) - charging schedule (KD).** (Pages 123 - 164)

Report of Senior Head of Regeneration, Planning and Assets.
Cabinet lead member: Councillor Steve Wallis.

12 **Future arrangements for the Council's building control services (KD).** (Pages 165 - 168)

Report of Senior Head of Community.
Cabinet lead member: Councillor Steve Wallis.

13 **Exclusion of the Public.**

The Chief Executive considers that discussion of the following item is likely to disclose exempt information as defined in Schedule 12A of the Local Government Act 1972 and may therefore need to take place in private session. The exempt information reason is shown beneath the item listed below. Furthermore, in relation to paragraph 10 of Schedule 12A, it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information. *(The requisite notices having been given under regulation 5 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.)*

(Note: Exempt papers are printed on pink paper).

14 Small grants to voluntary organisations 2015/16 (KD). (Pages 169 - 174)

Report of Senior Head of Community.
Cabinet lead member: Councillor Margaret Bannister.

Exempt information reason 3. Information relating to the financial or business affairs of any particular person (including the authority holding that information).

Inspection of background papers – Please see contact details listed in each report.

Public right of address – Requests by members of the public to speak on a matter which is listed in this agenda must be **received** in writing by no later than 12 Noon, 2 working days before the meeting (e.g. if the meeting is on a Wednesday, received by 12 Noon on the Monday before). The request should be made to Local Democracy at the address listed below. The request may be made by, letter, fax, or electronic mail. For further details on the rules about speaking at meetings or for asking a question on a matter not listed on the agenda please contact Local Democracy.

Public questions – Members of the public may ask a question on a matter which is not on the agenda. Questions should be made in writing and by the same deadline as for the right of address above. There are rules on the matters on which questions can be asked. Please ask Local Democracy for further information

Councillor right of address - Councillors wishing to address the meeting who are not members of the Cabinet must notify the Chairman in advance (and no later than the immediately prior to the start of the meeting).

Disclosure of interests - Members should declare their interest in a matter at the beginning of the meeting, and again, at the point at which that agenda item is introduced.

Members must declare the existence and nature of any interest.

In the case of a disclosable pecuniary interest (DPI), if the interest is not registered (nor the subject of a pending notification) details of the nature of the interest must be reported to the meeting by the member and subsequently notified in writing to the Monitoring Officer within 28 days.

If a member has a DPI or other prejudicial interest he/she must leave the room when the matter is being considered (unless he/she has obtained a dispensation).

Implementation of decisions - Implementation of any key decision will take place after 5 working days from the date notice is given of the Cabinet's decision (normally on the day following the meeting) unless subject to "call-in". Exceptions to this requirement are allowed when the decision is urgent.

Further information – The Forward Plan of Key Decisions, Councillor contact details, committee membership lists and other related information are available from Local Democracy. To receive regular e-mails alerting you to the publication of Cabinet agendas (or other meeting agendas) please send an e-mail to: localdemocracy@eastbourne.gov.uk
You can view the Forward Plan of Key Decisions at http://www.eastbourne.gov.uk/council/meetings/

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Cabinet

EASTBOURNE Borough Council

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Minutes of meeting held on Wednesday, 10 December 2014 at 6.00 pm

Present:-
Councillors **Gill Mattock** (deputy chairman (in the chair) and deputy leader of the council), **Margaret Bannister**, **Carolyn Heaps, Troy Tester and Steve Wallis.**

(An apology for absence was received from councillor David Tutt (chairman and leader of the council).

39 Minutes of the meeting held on held on 22 October 2014

The minutes of the meeting held on 22 October 2014 were submitted and approved and the chairman was authorised to sign them as a correct record.

40 Declarations of interests by members

Declarations of disclosable pecuniary interests (DPIs) by members as required under section 31 of the Localism Act and other interests as required by the council's code of conduct and regulation 12(2)(d) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

Councillor Tester declared a personal interest in minute 46 (internal drainage boards) as an owner and occupier of a property within the area of the proposed board. He remained and participated as the interest was not one that was any greater than that of the majority of other residents in his ward.

41 LeaDeR award for achievement in government

41.1 The Chair reported the results of the 4th edition of the Alliance of Liberals and Democrats for Europe LeaDeR awards which had been announced earlier in the day in Brussels at a ceremony held in the EU's Committee of the Regions.

41.2 The 2014 LeaDeR in the category of achievement in government was awarded to councillor David Tutt, Eastbourne council leader. The citation was *"… for his visible leadership in having put core liberal values of innovation, forward-thinking and opportunity into action in transforming what was officially the worst Council in the south-east of England into one widely recognised as among the very best in the country."*

41.3 Cabinet congratulated councillor Tutt on his receipt of the award.

42 Corporate performance - Quarter 2 2014/15

42.1 Cabinet considered the report of the chief finance officer and head of corporate development reviewing the council's performance against corporate plan priority indicators and action targets; financial performance of general fund revenue expenditure, housing revenue account and capital programme; and treasury management activities for the first quarter of 2014/15.

42.2 Appendix 1 gave detailed information on non-financial performance. A number of services were highlighted including improved performance in dealing with missed refuse collections, increased visitor numbers at theatres, Bandstand and the Redoubt, low sickness absence levels, reduction in the vacancy rate of town centre business premises and improved housing benefit processing time and telephone abandonment rate. Appreciation was also recorded for the efforts of the neighbourhood first team in dealing promptly with instances of fly-tipping and to staff handling homelessness cases and the award of grant money to support provision of accommodation.

42.3 The general fund position to end of September showed a variance of £77,000 on net expenditure which was a movement of £60,000 compared to the position reported at the end of the first quarter in June. Service expenditure had a variance of £113,000 mainly as a result of one-off backdated rental income (£35,000), development control legal and consultants' fees (£40,000), Downland water supply new contract (£33,000) and Dotto Train (£65,000). An element of this service overspend would be off-set by the saving on the contingency fund. The contingency allowance currently stood at £161,050 and as a consequence there would be no funding available for any future unforeseen one-off areas of expenditure during the remainder of the year.

42.4 A new 2-year pay award had been agreed by the National Joint Council for Local Government Services (NJC) and employee organisations based on a 2.2% increase from 1 January 2015 plus one off lump sum payments. However, staff outside NJC pay scales or who were above SCP 49 would not receive the pay award. The cost of this pay award would be met within existing budgets.

42.4 Housing revenue account performance was currently above target due to a number of factors including underspending on council tax for void properties, new insurance contract and reduction in provision for bad debts required. The detailed capital programme was shown at appendix 4. Actual expenditure was low compared to the budget, due to delays in the start dates of housing major projects, sheltered accommodation remodelling projects and several general fund projects. Expenditure was expected to increase as schemes progressed however the spending patterns would be reviewed at quarter 3 and re-profiled into the 2015/16 year where appropriate.

42.5 Council tax is collection rates were currently showing a £172,950 surplus, due to higher than budgeted number of chargeable properties and a reduction in the number of single person discounts awarded. The business rates deficit of £1,314,414 was as a result of a bigger than anticipated provision made in 2013/14 for outstanding appeals, giving rise to a higher than budgeted for balance carried forward as at 1 April 2014. Currently there were 93 properties with appeals outstanding with a total rateable value £12m, a reduction of 13 properties with a rateable value of £6m since 1 April 2014. The valuation office was expecting to settle all these claims within the next 12 months however the uncertainty of the potential value of successful appeals remained a major risk to the collection fund at this time. The deficit represented 3.98% of the total debit for the year.

42.6 Treasury management performance was on target and all activities were within the approved treasury and prudential limits

Resolved (key decision): (1) That the performance against national and local performance indicators and actions from the 2010/15 corporate plan (2013 refresh) be agreed.

(2) That the general fund, housing revenue account and collection fund financial performance for the quarter ended September 2014, as set out in sections 3, 4 and 6 of the report be agreed.

(3) That any nationally agreed pay award be applied across all staff in the organisation as set out in paragraph 3.4 of the report.

(4) That the virements and transfer to and from reserves as set out in appendix 3 to the report be approved.

(5) That the amended capital programme as set out in appendix 4 to the report be agreed.

(4) That the treasury management performance as set out in section 7 of the report be agreed.

43 Council budget 2015/16 - Draft budget proposals

43.1 Councillor Elkin addressed the cabinet. He welcomed the administration’s current proposals for a zero increase in council tax and asked members to provide additional staff resources to deal with an increase in the number of attacks by dogs on people and other dogs. Councillor Tester commented that the transition in the council’s working practices (as reported in minute 45 below) would result in the enlargement of the neighbourhood first teams who were tasked with dealing with these maters.

43.2 Cabinet considered the report of the chief finance officer summarising the main elements of the emerging 2015/16 revenue budget and capital programme that had arisen from the corporate and service financial planning process to date. Each year the council consulted a range of stakeholders on its detailed draft budget proposals for the following financial year. This followed consultation on the corporate plan and medium term financial strategy (MTFS), which had been carried out over the summer and autumn. Cabinet was asked to give initial responses to the consultations at this meeting and finally on 4 February 2015 in order to recommend a final budget and additions to the existing capital programme for 2015/16 to the council on 18 February 2015.

43.3 The process of service and financial planning was an integral part of the corporate planning cycle that looked over a medium term horizon. The corporate change programmes under the council's DRIVE programme picked up the challenge of the MTFS.

43.4 The MTFS agreed in July 2014 modelled the overall reduction in government support by 40% in cash terms over the whole comprehensive spending review (CSR) period (2013/17) which equated to around 50% in real terms at past and projected levels of inflation. At the time of writing the report, the chancellor's autumn statement was not known, however last year the government signalled a further 5 years of reductions in public spending over the life of the next parliament. Although there is an election next year all the main political parties are working on similar deficit reduction plans.

43.5 In addition to changes in the amount of funding for local government, there were two significant changes that came into force in 2013/14 that gave a greater volatility to local government finance over the medium term. These changes were the retention of a proportion business rates and the localisation of council tax support. The council had applied with other East Sussex authorities to be part of a single business rates pool which could see the Council increase its business rates retention increase by around £200,000 in 2015/16.

43.6 The current strategy set out a rolling three year plan to:

- Deal with the anticipated reduction in the government support of a further 40% from the 2014/15 level.
- Integrate fully the service and financial planning process with the main change programmes under DRIVE.
- Work with clearly defined medium term efficiency targets to the corporate transformation programmes and allow services to put forward savings proposals in addition.
- Deal with the continued economic downturn and unavoidable growth in service demands.
- Maintain front line services to the public.
- Make further recurring savings of £2.7m per annum by 2018/19.
- Maintain at least a minimum level of reserves of £2m.
- Use surplus reserves in the medium term for:
  -Invest to save projects.
  -Smooth the requirement for savings over the cycle of the MTFS.
  -Invest in one off service developments in line with the corporate plan.
- Benchmark fees and charges against the service standard.
- Reinvest in value adding priority services when headroom is created.

- Set council tax rises at zero or at the level of target inflation (CPI).
- Maintain a strategic change fund to finance the DRIVE programme in order to increase efficiency.
- Maintain an economic regeneration reserve to finance external interventions that promote economic activity.
- Finance capital expenditure from identified resources.
- Use borrowing only on a business case basis.
- Continue the process of priority based budgeting to target investment and differential levels of savings targets at services according to priority.
- Zero base volatile grant budgets.
- Look for new income streams to supplement diminishing resources.

43.7 The final settlement in respect of revenue support grant (RSG) and retained business rates for 2015/16 were not yet known, together with numerous other grant announcements not yet made. The following assumptions were made in the draft budget:-

Year	**2014/15**	**2015/16**
	£m actual	£m
RSG	(3.7)	(2.6)
Retained business rates	(4.0)	(4.0)
Council tax freeze grant	(0.1)	(0.1)
New homes bonus	(0.9)	(1.3)
Council tax	(7.2)	(7.3)
Total	**15.9**	**15.4**

43.8 The service and financial planning process started in July and had culminated in the four service areas presenting their plans to the Cabinet and shadow cabinet in November. In response the challenge set out in the MTFS, the service and financial planning process has identified proposed savings of £1.509m (10% of net spend) shown in appendix 1 to the report. These were categorised as:

		£m
Efficiency savings		(0.992)
Increases in income		(0.461)
Other changes		(0.056)
	Total	(1.509)

A total of £0.947 of service growth was proposed categorised as follows (appendix 2):

		£m
Corporate inflation		0.515
Reduced income targets		0.224
Other growth		0.208
	Total	0.947

The proposals also included £487,000 of non-recurring service investment to be financed directly from reserves (shown in appendix 2 to the report).

43.9 The draft budget assumed no rise in council tax for 2015/16 as the council might take advantage a special grant available for councils not increasing council tax (assumed to be 1% or £85,000). There therefore remained a choice depending on the announcement of the tax freeze scheme. A referendum would be required if any proposed tax rise were 2% or greater.

43.10 The following summarised the effect of the proposed changes:-

	Proposal £m
Base budget 2014/15	15.902
Growth (outlined in para. 4.3 of report)	0.947
Savings (outlined in para. 4.2 of report)	(1.509)
Net budget requirement:	15.340
Funded By:	
Government grants/retained rates	(8.041)
Council tax (band D £224.19)	(7.299)
Total resources:	(15.340)
Forecast general reserve as at 31 March 2015:	£4.2m

It was recommended that should the resources allocated by way of retained business rates and RSG differ from the assumptions, the suggested strategy would be to make the additional resources available to the capital programme. Should the resources be less than the assumptions then they should first reduce the addition to the capital programme resources, then reduce the contingency by up to £100,000 and beyond that, a further review of the service and financial plans would be required to identify additional savings/reduced growth. As a last resort the MTFS allowed for reserves to be used in the short term until further corrections could be made.

43.11 The council currently financed its capital programme from capital receipts and grants and contributions. There was currently £0.5m of internal identifiable capital resources available for the next 3 years. It was intended that any headroom created by the 2015/16 revenue budget would be reinvested in the capital programme. In addition to these resources, borrowing was permitted on a business case basis where savings or new income generated from a scheme could repay the capital costs. Additional individual schemes to be added to the capital programme linked to priorities would be developed as part of the development of the corporate plan in January and contained in the final budget and capital programme proposals to be agreed by the full council in February. It was also be noted that unlike the council tax, the capital programme could be varied at any time and that there were duties under certain schemes to consult with those affected before schemes were commenced. As well as schemes financed from internal resources, the corporate plan would include schemes financed from external resources.

43.12 Councillor Mattock, on behalf of the cabinet, expressed her appreciation for the work undertaken by the chief finance officer, his team and other council staff in the preparation of the draft budget.

43.13 Resolved (key decision): (1) That the draft budget proposals be agreed for consultation.

(2) That the approach to dealing with changes in the expected resources available for the 2015/16 budget as detailed in paragraph 5.3 of the report.

(3) That, subject to there being no material change in the government settlement, cabinet is minded to propose a council tax freeze for 2015/16.

44 Council tax base and business rate income 2015/16

44.1 Cabinet considered the report of the chief finance officer. The council was required to set its council tax base and the expected business rate income for the forthcoming year. These calculations were used as the basis for the amount of income the council will precept from the collection fund.

44.2 The council tax base for Eastbourne was calculated by multiplying the 'relevant amount' by the 'collection rate'. The relevant amount was the estimated full year equivalent number of chargeable dwellings within the borough. This was expressed as the equivalent number of 'band D' dwellings with 2 or more liable adults. The relevant amount had increased by 358 (1.32%) band D equivalent dwellings from 2014/15. This reflected an increase in the number of taxable properties and a reduction in the number of single person discounts awarded. The effect of these changes has resulted in an increase to the total number of chargeable dwellings of 459.

44.3 The collection rate was the council's estimate of the proportion of the overall council tax collectable for 2015/16 that would ultimately be collected. This was expressed as a percentage. Given the current level of council tax collection and the forecast of a small surplus balance on the collection fund there was the opportunity to set the collection rate at 97.75% for 2015/16, an increase of 0.25% over 2014/15. Taking the relevant amount of 33,308.3 and applying a collection rate of 97.75% produced a council tax base for 2015/16 of **32,558.90**.

44.4 The Local Government Finance Act 2012 had introduced a new system for the local retention of business rates. This meant that the Council was required to formally approve the expected business rate income for the forthcoming year. The estimate for the 2015/16 financial year must be approved by 31 January 2015. The report described how the net rate income for 2015/16 would be calculated. The actual 'NNDR1' form for 2015/16 had not yet been received but the provisional figures based on the 2014/15 form plus known changes had been calculated and indicated a net yield of £38,804,000. The allocation would be in the proportion of:

- 50% to central government
- 40% to the local billing authority (this council)
- 10% to the other precepting authorities (9% to the county and 1% to the fire authority)

44.5 As some local authorities collected more business rates than they currently received in formula grant (which was based on relative need and resources), whilst others were lower the government would rebalance to ensure that no local authority was worse off as a result of it business rates at the outset of the scheme though a system of tariffs and top ups. Tariff and top ups would be self funding and fixed in real terms (i.e. only up rated by RPI in future years) ensuring that changes in retained income were driven by business rate growth. This authority had a business rate baseline higher than its baseline funding level and thus was due to make a tariff payment.

44.6 The final amount of retained business rates to be credited to the general fund is calculated as follows:

2015/16 estimate	**£'000**
EBC share of business rate yield	13,921
Minus tariff	(10,124)
Minus levy	(564)
Minus estimated deficit on collection fund as at 31 March 2014	(526)
Add section 31 grants	1,272
Local Retained Business Rate Income 2014/15	**3,980**
2014/15 amount	3,725

These figures would be confirmed once the final NNDR1 has been completed in January and the government grant settlement figures received later this month.

44.7 Cabinet agreed at its meeting on 22 October 2014 to enter into a business rate pool with the other East Sussex borough and district councils, East Sussex County Council and East Sussex Fire Authority. An application had now been submitted to the government and the outcome was expected in January. Under pooling the levy as set out in para. 744.6 above would be payable to the pool rather than to the government, and redistributed to participating authorities in accordance with the agreed memorandum of understanding. This would be used to fund economic development. The split of the potential proceeds based on business rate forecasts indicated that this council could expect to receive a sum in the region of £223,000, the precise amount would not be known until the end of the 2015/16 financial year and payment made in 2016/17.

44.8 As at 31 March 2014 the collection fund showed deficit of £3,127,280 (£79,171 council tax and £3,048,109 business rates). £2,165,775 was being recovered across council tax and business rates preceptors during 2014/15, leaving a balance of £961,505 to be distributed in 2015/16.
The council had to estimate the overall surplus/deficit at 31 March 2015 and inform the precepting authorities in January 2015 of this estimate in order that the amount was included in the 2015/16 precept figures. Current monitoring figures indicated a deficit by 31 March 2015 of £172,950 for council tax, this would be revised in January and the results reported to members as part of the budget report to the February cabinet.

44.9 The calculation on the business rate income element of the collection fund currently indicated a deficit balance of £1,314,000 as a result of a bigger than anticipated provision made in 2013/14 for outstanding appeals, giving rise to a higher than budgeted balance carried forward at 1 April 2014. The calculation would be revised for January and the results reported to members as part of the budget report to the February cabinet.

44.10 Resolved (key decision): (1) That a the provisional council tax base figure of 32,558.9 for 2015/16 be agreed.

(2) That a provisional retained business rates income amount of £34.8m for 2015/16 be agreed.

(3) That the chief finance officer, in consultation with the lead cabinet member for finance, be authorised to determine the final amounts for the council tax base and retained business rates income for 2015/16.

45 Sustainable service delivery strategy (SSDS) - Update

45.1 Cabinet considered the report of the senior head of infrastructure updating members on the progress made within the SSDS programme, with particular reference to the draft target operating model (TOM) for phase 2 of the future model implementation. In July 2013 cabinet approved the adoption and implementation of phase 2 of the programme and delegated authority to the DRIVE programme board to run the programme within the allocated resources. The programme aimed to improve service delivery whilst delivering savings estimated at £1.7m to £2m across the council and Eastbourne Homes Ltd (EHL). The current phase, phase 2, was estimated to save between £1.2m and £1.5m.

45.2 In October 2014 cabinet received an update on the status of the programme. The key milestones had not changed since that update and the council was on target to meet those milestones. At that meeting, cabinet approved the new structure for the council's corporate management team (CMT) which would generate additional savings of £200,000 in addition to the aggregate savings of £500,000 that had been achieved since 2009. These savings were anticipated as part of the phase 2 business case. Cabinet delegated authority to the chief executive to progress formal consultation with current CMT officers and then appoint to those roles in line with standard human resources policies and procedures. That consultation process was currently underway. Cabinet had been advised that the next key programme milestone would be the publication of the draft TOM for consultation with council and EHL staff, council members, EHL board members and Unison.

45.3 The TOM would detail how roles and responsibilities for housing management would be aligned between the council and Eastbourne Homes Ltd. in order to maximise efficiencies, create improved customer journeys and yet ensure that the benefits of having a dedicated housing management organisation were retained. It also included the expansion of the customer first structure that had been created in phase 1, the creation of a number of additional service delivery units and the strategic core of the organisation, referred to as strategy and commissioning. The TOM would consist of a full set of role descriptions, job descriptions and person specifications which had been evaluated through the council's corporate job evaluation scheme. Appendices to the report illustrated the strategy and commissioning roles and their alignment to the different CMT roles (figure 1), the relationship between CMT roles and delivery units (figure 2), key EHL functions and roles (figure 3), customer contact roles (figure 4), case and account management roles (figures 5 and 6), neighbourhood first (figure 7).and specialist advisors (figure 8).

45.4 As was the case with phase 1, the projected reduction in full-time staff equivalents (FTEs) as a result of phase 2 would be approximately 20%, equivalent to 35-40 FTEs. The draft TOM would be subject to consultation until late January. A comprehensive consultation pack was being produced which included an overview of the structures, the post details and the proposed recruitment process. A number of staff briefings were programmed to be delivered to launch the consultation and a full member briefing would also be held. The TOM would continue to change through consultation, and all FTE numbers and savings estimates outlined in the report were only estimates at the time of publication.

45.5 Principle features of the draft TOM outlined in the report to cabinet were:

- Clearly designated strategy and commissioning roles that form part of the strategic heart of the council, mapped to the new CMT structure.
- New delivery units for sports and seafront and events.
- An enhanced housing and neighbourhood management role for EHL, with customer contact and routine casework shifting to customer first.
- Casework splits into case management and account management.

- A new neighbourhood first partnership approach between the council and EHL, working closely with the police.
- Planning policy, economic development and service improvement and development moved from customer first to strategy and commissioning.

45.6 Resolved (key decision): (1) That the principles of the draft target operating model, as detailed in the report, be approved in order to enable consultation to begin.

(2) That the chief executive be given delegated authority to approve any necessary changes to the target operating model that arise from consultation.

46 Internal drainage boards (IDBs)

46.1 Cabinet considered the report of the senior head of infrastructure on the options appraisal regarding the creation of a new internal drainage board (IDB) for Pevensey Levels, following the proposed Environment Agency dissolution of the existing East Sussex IDD. The EA had asked the East Sussex local authorities for their views and the options for the future management of these drainage areas. The report explored the risks involved and summarised the options appraisal, with a recommendation that there should be a new IDB to include the Pevensey Levels.

46.2 Historically, the Environment Agency (EA) had acted as the internal drainage board (IDB) for a number of internal drainage districts (IDDs) in the South East. In 2011, the EA confirmed their intention to dissolve internally administered IDDs due to the view that arrangements for drainage districts should have a greater degree of local accountability. There were three EA-administered IDDs in East Sussex: Pevensey Levels, Ouse and Cuckmere. Part of Eastbourne sat within the Pevensey Levels IDD. There were 15,486 residential properties and 533 businesses within the Pevensey Levels IDD, and under current IDD management the majority were at a 1:200 or less risk of flooding (from the main river). 700 of the residential dwellings in the Langney area were at significant risk of surface water flooding. Whilst IDBs were not responsible for main rivers (the EA retained management of these), IDBs paid annual precepts to the EA as a contribution to work on main rivers from which the IDD(s) benefited . Thus, in the 2013/14, the East Sussex IDB paid the EA £109,370 for maintenance of main rivers.

46.3 The options available were, one, if no local authority consensus a likelihood that the government would impose an IDB; two, reversion to land-owner control or alternatively some form of community led water level management; and three, a new independent board. An East Sussex IDD steering group with members from local authorities, the EA and stakeholders, had been meeting regularly to gather information and discuss the issues regarding the EA’s proposal to dissolve their responsibility of the East Sussex IDD. A small officer working group led by officers from Eastbourne Borough Council and Wealden District Council had been meeting to prepare an options appraisal. This had identified the known costs, opportunities, and risks for each of the 3 options. A risk assessment had then been undertaken based on the information available. The options appraisal, which was appended to the report, had concluded that option 3 had the lowest risk and this option was also supported by East Sussex County Council (ESCC) and the National Farmers Union.

46.4 The expenses of an independent IDB were predominantly funded by the local beneficiaries of the water level management work they provided. The Land Drainage Act 1991 determined that the expenses of an IDB should be met by drainage rates collected from agricultural land and buildings within the IDD; special Levies issued on district and unitary authorities within the IDD; and contributions from the EA. The special levy was collected for the IDB by local authorities through the councils' budget setting process. The councils then paid this levy to the IDB. The 2014/15 council contributions were as follows:

Pevensey IDD	**Special Levy (£)**
Eastbourne Borough Council	£193,186
Hastings Borough Council	£9,779
Rother District Council	£3,584
Wealden District Council	£38,435
Total:	**£244,984**

46.5 The above special levy monies have historically been reimbursed by the Department of Communities and Local Government (DCLG) through the revenue support grant (RSG). This funding was to be superseded by the settlement funding assessment (SFA), which was guaranteed to continue until 2021. ESCC, EBC, and WDC are pursuing the future uncertainty of this government funding with the secretary of state. It was proposed to enter into the Pevensey Levels IDB at the same contribution level, or at such a level that represented the amount of funding received via the RSG as amended by the grant settlements, with the condition that contribution rates would be revaluated for 2021, when the RSG/SFA might change. Prior to that, a more proportional contribution level could be pursued. It was anticipated that the new arrangements would be in place by April 2016.

46.6 Resolved (key decision): (1) That option 3, formation of a new internal drainage board to include the Pevensey Levels, be approved, and officers be authorised to commence planning work with key partners.

(2) That delegated authority be given to the Senior Head of Infrastructure, in consultation with the Leader of the Council, to take all necessary steps to contribute to the setting up of a new board.

(Note: Councillor Tester declared an interest in this matter. See minute 40 above.)

47 Employment land local plan (ELLP)

47.1 Cabinet considered the report of the senior head of development. In May 2012, the Eastbourne Core Strategy Local Plan had been subject to public examination by a planning inspector. The Inspector had expressed concerns over the evidence that supported core strategy policy D2: economy, particularly relating to the employment land supply. In order to address this issue without delaying the adoption of the core strategy, the inspector had recommended that policy D2 be the subject of an early review, leading to its replacement with an additional local plan to deal specifically with the employment land supply. The plan would guide job growth and economic development in Eastbourne up to 2027 by identifying an appropriate supply of land for future employment development, in order to achieve a sustainable economy and make Eastbourne a town where people want to live and work.

47.2 A proposed draft ELLP was approved Cabinet on 14 December 2013 and published for a 12 week public consultation with the community and stakeholders ending 14 March 2014. The representations received during the consultation have been taken into account in revising the ELLP. In order to progress the ELLP toward adoption, a proposed submission version now needed to be published to allow for representations to be made on issues of soundness.

47.3 The evidence supporting the ELLP showed that there was a requirement to provide 43,000 sq.m. of employment (Class B) floor-space between 2012 and 2027. This would result in the creation of 1,263 new jobs. In order to deliver the employment floor-space requirement, the ELLP proposed the intensification of land within the existing industrial estates to provide 20,000 sq.m. of industrial and warehouse space, and the development of new office space in the Town Centre (3,000 sq.m.) and Sovereign Harbour (20,000 sq.m.).

47.4 A total of 30 representations had been received from 10 organisations during the consultation on the proposed draft ELLP. There were five main issues raised through consultation:

- The amount of office space allocated in Town Centre.
- The viability of employment development at Sovereign Harbour.
- The density assumptions used to calculate how much floorspace will be required.
- Protection of existing employment sites and restrictions on non-employment development within industrial estates.
- The non-allocation of land north west of Hammonds Drive off Lottbridge Drove for employment development.

A summary of representations and the full responses to those representations was provided in appendix 1 to the report.

47.5 Additional evidence had been prepared in order to take account of these representations and provide further information as to whether or not changes were required to the ELLP. This additional evidence had backed up the original position, and no fundamental changes to the ELLP were proposed as a result of these representations. As the evidence supported the original position, there were few recommended changes to the ELLP. There are some minor amendments to various parts of the ELLP for clarification purposes. A schedule of changes made to the ELLP was provided in appendix 2 to the report.

47.6 The proposed submission ELLP would now be subject to an 8 week representation period between 12 December 2014 and 6 February 2015 to allow stakeholders to make representations on issues of soundness. It was anticipated that a public examination by a planning inspector would take place around May/June 2015. If found sound at examination, the ELLP could then be formally adopted by the council.

47.7 Resolved (key decision) (1) That the proposed submission employment land local plan be approved for publication for an 8 week period to receive representations on issues of soundness.

(2) That delegated authority be given to the senior head of development, in consultation with the lead cabinet member, to make minor amendments before the commencement of the representation period.

(3) That following the end of the representation period, the senior head of development be given delegated authority, in consultation with the local plan steering group, to submit the employment land local plan to the secretary of state for public examination.

48 Council tax discretionary reduction policy

48.1 Cabinet considered the report of the senior head of community. Section 13(A)1(c) of the Local Government Finance Act 1992 provided the council with additional statutory powers to enable it to reduce the council tax liability of council taxpayers. These discretionary awards could be given to individual council taxpayers, groups of council taxpayers, Council taxpayers within a defined area; or all council taxpayers in the council's area. The provision allowed the council the discretion to provide assistance to taxpayers where either the existing legislation did not provide a discount or exemption or in such circumstances where the council felt that the level of discount, exemption or reduction was insufficient given the circumstances of the taxpayer.

48.2 A recent valuation tribunal ruling made clear the need for all councils to have in place a policy in respect of the exercise of such discretions. Councils across East Sussex had collaborated in the preparation of a policy and a copy was appended to the report. The proposed policy referred to 3 categories of taxpayer for whom a discretionary reduction might be appropriate. Those categories were exceptional financial hardship, crisis, for example fire or flood, and other circumstances.

48.3 The policy set out the process through which a taxpayer must go in applying for a reduction and laid some responsibility on the taxpayer to manage their finances by, for example:

- Ensuring that they had applied for any council tax discounts, exemptions or reduction that might be applicable.
- If appropriate, accepted assistance to enable them to manage their finances effectively.
- Maximised their income through applying for welfare benefits and the cancellation of any non-essential contract.

48.4 Any appeals would, in the first instance, be dealt with by the revenues and benefits manager. If the taxpayer does not agree with the decision, they have a further right of appeal to the Valuation Tribunal.

48.5 Resolved (key decision): That the policy be adopted.

49 * Redundancy and re-deployment policy

49.1 Cabinet considered the report of the head of corporate development. The council's human resources policies and procedures were currently being reviewed. This report proposed a new redundancy and redeployment policy to replace the existing alternative employment procedure (AEP). It was believed that the AEP did not adequately reflect the process to follow in cases of restructuring and redundancy, and was not clear about the support mechanisms in place for staff. Both these aspects had been considered in the drafting of the new policy, along with updated legislative requirements which were largely around statutory consultation requirements. The new policy would also give clearer advice about the process for voluntary redundancy and the parameters within which it would be offered.

49.2 Full discussions had taken place with Unison who had made some helpful and positive contributions to the policy being presented to cabinet and had indicated their agreement to the content.

***49.3 Resolved (policy framework):** That full council be recommended to adopt the redundancy and re-deployment policy as a replacement to the alternative employment procedure.

The meeting closed at 6.46 pm

Councillor David Tutt
Chairman

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BODY:	**CABINET**
DATE:	**4th February 2015**
SUBJECT:	**Corporate Performance - Quarter 3 2014/15**
REPORT OF:	**Chief Finance Officer and Senior Head of Corporate Development and Governance**
Ward(s):	All
Purpose:	To update Members on the Council's performance against Corporate Plan priority actions, performance indicators and targets for Quarter 3 2014/15. To inform Cabinet of the Council's financial outturn for Quarter 3 2014/15.
Contact:	William Tompsett, Strategic Performance Manager Tel 01323 415418 or internally on ext 5418 Pauline Adams, Financial Services Manager Tel 01323 415979 or internally on ext 5979.
Recommendations:	Members are asked to:

i) Agree the performance against national and local Performance Indicators and Actions from the 2010/15 Corporate Plan (2014 refresh).

ii) Agree the General Fund, HRA and Collection Fund financial performance for the quarter ended December 2014, as set out in sections 3, 4, 5 & 6.

iii) Approve the transfers from reserves as set out in Appendix 3

iv) Approve the amended capital programme as set out in Appendix 4.

v) Agree the Treasury Management Performance as set out in section 7.

1.0 Introduction

1.1 The 2010/15 Corporate Plan was refreshed for 2014 and sets out a number of key actions and indicators to deliver and measure progress against key priorities. Throughout the year, performance against these key indicators and milestones is reported to Cabinet and Scrutiny committees on a quarterly basis and to Scrutiny monthly.

1.2 The information in these performance reports is collected and managed using the Covalent performance management system. Further detail behind the report and evidence providing a full and robust audit trail for the performance information presented is available to view within the online system. Members are invited to contact the Strategic Performance Team at any time to arrange individual training support on using the system if required.

1.3 In the absence of a National Performance Framework it is important that the authority continues to strengthen its own performance management procedures particularly in relation to the use of robust local indicators and meaningful reporting against actions and activities. The actions, milestones and performance indicators in the Corporate Plan refresh 2014 have been chosen to reflect this year's priority activities and objectives with a view to realising the longer term vision set out in the Corporate Plan.

1.4 Due to operational improvements made to our activity reporting procedures, we have made a change to one of the reported performance indicators. CS_012 "Calls Handled at First Point of Contact" has now been replaced with CS_012a "Telephone Calls handled at first point of contact." This new version of the indicator focuses solely on phone scripts.

1.5 Following changes to crime reporting procedures, it has been decided to change the crime related PIs from targeted to data only as the previous targets are no longer relevant to the data being reported. These PIs will be revised for the next iteration of the Corporate Plan.

2.0 Performance Overview

2.1 **Appendix 1** is a detailed report on the 2014/15 activities and outturns of the performance indicators listed within the Corporate Plan. This report shows the latest available outturns for the local performance indicators featured in the 2010/15 Corporate Plan broken down into themed areas.

2.2 Each project has been allocated a number of in-year actions and milestones to be completed in order to progress the project efficiently. Some projects may be fully completed within the year whereas larger scale priorities will be delivered over a longer period. **The first section of Appendix 1 lists all the Corporate Plan priority actions whose in-year milestones have already been fully completed this year.** Full details of the specific milestones and commentary for these actions is available on request or directly via the Covalent Performance Management System.

2.3 The second section of Appendix 1 lists the ongoing actions showing all milestones that were scheduled for completion within the first three quarters of the 2014/5 year along with commentary to explain the context behind them.

2.4 Chapter summary text has been supplied by the relevant Heads of Service to provide added context for the performance reported in each section. This commentary highlights important achievements and challenges for the reporting period and can be found at the start of each chapter.

2.5 The PI tables show which indicators related to the priority projects are performing on target (green tick icon), failing to reach target (red octagonal icon) or are near misses (amber triangle icon). Relative performance is based on quarterly targets as set by the managers of each area using past performance, available benchmarking and planned service developments.

2.6 The current outturn for each PI is shown on the performance gauges in column 4 – Year to date. The gauges show visually how the level of performance compares to targets (green zones) and near miss levels (amber zones). Amber zones have been reviewed to reflect appropriate levels of performance expectation and any national targets which are lower than our own local aspirations.

2.7 The bar charts in column 6 show comparative performance against previous quarters/years as appropriate. This enables an at a glance indication of whether performance is improving or not and will help identify potential trends and seasonality of performance.

2.8 Commentary has been included in the action and indicator outturn tables where supplied. This provides some contextual background to the performance and this function and is backed up by the online evidence collation facility of the Covalent system.

2.9 Of the 25 Key Performance Indicators reported in the Corporate Plan this quarter, 4 are currently showing as Red, 12 are showing as Green, 3 are showing as Amber and 6 are data only or contextual PIs. The off target PIs are...

- DE_011 - Number of reported fly-tipping incidents
- CD_008 - Decent Homes programme
- CD_055 – Number of completed adaptations (Disabled Facilities Grants)
- CD_181 – Time taken to process Housing Benefit/Council Tax Benefit new claims and change events

2.10 We have the capability within Covalent to analyse performance data via dashboard reporting. This allows us to look beyond green – amber – red performance reporting and drill down more into the data and what it is telling us. The following PIs are showing as the relatively best performing according to the latest confirmed data available:

Best Performing (PIs)	Value	Target	Gauge
TL_005 Marketing campaign value for money	£0.60	£0.88	
CS_011 Telephone call abandonment rate	2.99%	6%	
TL_017a Redoubt visitors - paying visitors	14,039	7,800	
TL_008 Conference delegates	14,800	13,000	
CD_051 Number of difficult problem properties reme...	35	22	
CD_056 Median average number of days for assistan...	84 days	100 days	
CD_050 Empty privately owned homes returned to oc...	118	90	
CS_003 Sickness absence - average days lost per emp...	3.98 da...	4.35 da...	
DE_194 Missed collections	3,531	3,850	
DE_192 Percentage of household waste sent for reus...	36.87%	35.00%	
DE_007 EBC Carbon Footprint - Vehicles	28 ton...	30 ton...	

**The data in this table is based on the latest reported out-turns including annually reported indicators so may include PIs where data is from the 2013/14 out-turn.*

3.0 Financial Performance – General Fund

3.1 General Fund performance for the year to 31 December 2014 is shown in the table below:

Department	Full Year Budget £'000	Profiled Budget £'000	Actual to 31 Dec 14 £'000	Variance to date £'000	Projected Outturn £'000
SUMMARY					
Corporate Services	11,952	8,880	8,723	(157)	(137)
Community Services	304	37,230	37,266	36	(16)
Tourism & Leisure Services	2,940	2,509	2,586	77	39
Total Service Expenditure	**15,196**	**48,619**	**48,575**	**(44)**	**(114)**
Contingencies etc.	113	85	30	(55)	(73)
Capital Financing and Interest	1,699	1,076	1,076	-	-
Contributions to/(from) Reserves	255	(283)	(283)	-	-
Net Expenditure	**17,263**	**49,497**	**49,398**	**(99)**	**(187)**

Service Details are shown at **Appendix 2**

3.2 The position to the end of December is a positive variance of (£99,000) on net expenditure which is a movement of (£176,000) compared to the position at the end of the second quarter in September. Service expenditure shows a variance of (£44,000) mainly as a result of:

Additional corporate income (£77k)
Refuse Collection contract savings (£71k)
One off backdated rental income (£35k)
Rental income from 1 Grove Road and Town Hall (£31k)
Dotto Train £65k
Summons Income reduction £50k
Development Control Legal and Consultants fees £41k
Downs Water Supply new contract £39K

3.3 The projected outturn shows a favourable variance of (£187,000). This is within 1.1% of the net budget and is within an acceptable tolerance level. However management continues to manage this position to ensure that this is achieved.

3.4 The contingency allowance currently stands at £112,950 an amount of £40,000 has been earmarked for use; therefore a balance of £72,950 is available for funding any future unforeseen one off areas of expenditure during the remainder of the year.

3.5 Member's approval is also sought for the transfer from reserves as set out in **Appendix 3**. These transfers are in line with the approved financial strategy.

4.0 Financial Performance - HRA

4.1 HRA performance for the year to 31 December 2014 is as follows:

	Current Budget £'000	Profiled Budget £'000	Actual to 31 Dec 14 £'000	Variance to date £'000	Projected Outturn £'000
HRA					
Income	(15,413)	(11,610)	(11,612)	(2)	14
Expenditure	8,237	5,762	5,676	(86)	(118)
Capital Financing & Interest	6,369	-	-	-	-
Contribution to Reserves	500	-	-	-	-
Total HRA	**(307)**	**(5,848)**	**(5,936)**	**(88)**	**(104)**

4.2 HRA performance is currently above target due to a number of factors including underspending on council tax for void properties and the new insurance contract.

Rental income is down as a result of a reduced number of properties from Right to Buys and a delay in opening Winchester Court sheltered accommodation following refurbishment; this is offset by an increase in service charge income following the 13/14 year end reconciliation.

4.3 The projected outturn is showing a surplus of £104,000 due to the full year effect of the issues highlighted in the above paragraph.

5.0 Financial Performance – Capital Expenditure

5.1 The detailed capital programme is shown at **Appendix 4**. Actual expenditure at 47% of the budget is lower than expected as a number of schemes have been delayed in starting or have not yet started in particular in the following areas, but expenditure is expected in the next quarter:

- Housing Major Works schemes
- Support Housing in Eastbourne Programme
- Coastal Defence Works
- Resurfacing Tennis Courts
- Carbon Reduction Programme
- Customer Contract Centre
- Devonshire Park
- Congress Theatre.

Comments are included in the Appendix on the progress of each of these schemes.

5.2 The 2014/15 programme will be re-profiled to reflect start dates and planned works.

6.0 Financial Performance – Collection Fund

6.1 The Collection Fund records all the income from Council Tax and National Non-Domestic Rates and its distribution to the major precepting authorities. With the introduction of the new system for the local retention of business rates, the performance of the Collection Fund is now included as part of the performance monitoring and the results shared with the major preceptors.

6.2 The projected Collection Fund for the year is as follows:

	Council Tax £'000	**Business Rates £'000**
Balance B/fwd 1.4.14	79	3,048
Deficit recovery	(100)	(2,065)
Debit due for year	(53,531)	(32,672)
Payments to preceptors	52,355	33,155
Transitional Relief	-	18
Allowance for cost of collection	-	127
Allowance for appeals	-	(896)
Write offs and provision for bad debts	1,017	580
Estimated balance 31.3.15	**(180)**	**1,295**
Allocated to:		
CLG	-	647
East Sussex County Council	(130)	117
Eastbourne Borough Council	(25)	518
Sussex Police	(16)	-
East Sussex Fire & Rescue	(9)	13
	(180)	**1,295**

These figures show an improvement over the forecast over Qtr2 of £7k and £19k respectively.

6.3 The allocations to preceptors reflect the operation of the Collection Fund for Council Tax and retained Business Rates which are distributed on different bases under regulation. The distribution of the estimated balance at quarter 3 will be made in 2015/16. Any changes after that date will be made in 2016/17.

6.4 Council Tax surplus of £180,000 is due to higher than budgeted number of chargeable properties and a reduction in the number of Single Person Discounts awarded.

The surplus represents 0.34% of the total debit due.

6.5 The Business Rates deficit of £1,295,000 is as a result of a bigger than anticipated provision made in 2013/14 for outstanding appeals, giving rise to a higher than budgeted for balance carried forward as at 1/4/2014.

Since January 2014 a total of 64 properties have had successful appeals with a total reduction of £1,083,100 in rateable value which represents 1.3% of the total rateable value of the authority. Currently there are 87 properties with appeals outstanding with a total rateable value £6.8m.

The Valuation Office is expecting to settle all these claims within the next 12 months however the uncertainty of the potential value of successful appeals remains a major risk to the Collection Fund at this time.

The deficit represents 3.96% of the total debit for the year.

6.6 Collection performance is as follows:

Cash Collection Rates	Council Tax	Business Rates
Q3 Actual	85.40%	82.28%
Q3 Target	83.88%	80.17%

7.0 Financial Performance – Treasury Management

7.1 The Annual Treasury Management and Prudential Indicators 2015-16 are being considered by Cabinet elsewhere on this agenda, together with a summary of the current economic background and interest rate forecasts.

7.2 **Annual Investment Strategy**

The Treasury Management Strategy Statement (TMSS) for 2014/15, which includes the Annual Investment Strategy, was approved by the Council on 15 February 2014. It sets out the Council's investment priorities as being:

- Security of Capital;
- Liquidity;
- Yield

A full list of investment held as at 31 December 2014 is shown in the table below:

Counterparty	Amount £	Interest Rate %	Maturity
Santander	4,000,000	0.80	Call
Lloyds	880,000	0.40	Call
Royal Bank of Scotland	100,000	0.80	90 day Account
	4,980,000		

In addition a sum of £1m is invested with Lloyds Bank at a rate of 3.03% maturing on 23.1.19. This investment is held as part of the LAMS scheme and all interest earned will be transferred into a reserve set up to mitigate any financial risks arising from that scheme.

No approved limits within the Annual Investment Strategy were breached during the quarter end 31 December 2014.

Investment rates available in the market have continued at historically low levels. Funds are available on temporary basis for investment and arise mainly from the timing of the precept payments, receipts of grants and progress on the capital programme

7.3 **Investment Performance**

Investment performance for the quarter ending 31 December 2014 is as follows:

Benchmark	Benchmark Return	Council Performance	Interest Earning
7 day	0.35%	0.65%	£29,006

As Illustrated, the authority outperformed the benchmark by 0.30%. The Council's budgeted investment return for 2014/15 is £50,000, current performance is below this target due to the continuous use of internal balances during the first 9 months thus keeping interest paid lower whilst borrowing rates are higher than investments

7.4 **Borrowing**

Two long term loans of £2m each were taken from the Public Works Loan Board firstly on 10 October for 47 years at 3.70% and then on 20 October for 41.5years at 3.54%.

Cash flow predictions indicated that further borrowing will be required later in the year. The exact timing and nature of this borrowing will be consider at that time, however to maintain a sustainable maturity profile and interest payments it is anticipated that whilst longer term borrowing remains low the new borrowing will be at maturity dates of between 40 and 50 years. .

7.5 **Compliance with Treasury and Prudential Limits**

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators (affordability limits) are included in the approved TMSS.

During the quarter to 31 December 2014 the Council has operated within all the treasury limits and Prudential Indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices.

8.0 Consultation

8.1 Not applicable

9.0 Implications

9.1 There are no significant implications of this report.

10.0 Conclusions

10.1 This report provides an overview of performance against the authority's priority actions and indicators as at Quarter 3 2014/15. Progress against the key projects and indicators is updated on the online Covalent system on a regular basis and provides a "live" view of the Council's performance accessible at any time.

10.2 The variances within both the General Fund and HRA budget are well within tolerance levels, however risks within the budget will continue to be careful monitored.
.

10.3 Capital expenditure is low compared to the budget but this is expected as some major schemes have yet to commence

10.4 The Collection Fund forecast for Council Tax is indicating a surplus of £180,000 and a deficit for Business Rates of £1,295,000. These balances represent 0.34% and 3.96% of the gross debits due and will be allocated to or collected from preceptors during 2015/16.

10.5 Treasury Management performance is on target and all activities were within the approved Treasury and Prudential Limits.

William Tompsett
Strategic Performance Manager

Pauline Adams
Financial Services Manager

Background Papers:

The Background Papers used in compiling this report were as follows:

Corporate Plan 2010/15 (2014 refresh)
Covalent performance management system reports
Quarter 3 2014/15 Budget monitoring working papers

To inspect or obtain copies of background papers please refer to the contact officer listed above.

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Completed CP Actions - 2014 Q3

Priority Theme	Project	Status
Priority Theme 2 Quality Environment	CP14_2_01 Managing Waste Responsibly	✓
Priority Theme 3 Thriving Communities	CP14_3_05(a) Enable the transfer of Towner to independent governance	✓
Priority Theme 3 Thriving Communities	CP14_3_05(b) Progress work with English Heritage to secure funding for the development of the Redoubt as an accessible, living museum	✓

Corporate Plan Milestones Quarter 3 2014/15

EASTBOURNE Borough Council

Parent Action	Action	Description	Due Date	Note	Completed
CP14_1_01 Tourism Marketing and Brand Development	CP14_1_01a New Tourism and Economic Development strategy	Complete draft strategy for CMT discussion	31-May-2014	The Tourism part of the strategy has been completed. The economic development section is currently being drafted and once this has been completed will be taken to CMT for approval.	Yes
CP14_1_01 Tourism Marketing and Brand Development	CP14_1_01b New brand development and marketing campaign	Present a brief to CMT/Cabinet to secure funding to identify companies that can present branding options	31-May-2014	The brand development brief will be discussed at Cabinet on July 17th. Once the funding has been secured the brief will be sent out to the agreed agencies.	Yes
		Advertise and appoint a brand consultancy agency	31-Jul-2014	We have written a brief and have advertised and interviewed a number of agencies who submitted interest in the brand development project.	Yes
		Work with the agency to create a brand theme for consultation	30-Sep-2014	We have agreed an approach to how the consultation will be themed. However we have taken a short paper to CMT which has suggested a delay in the start time of the consultation and the project. this will now commence after Christmas	Yes
		Consultation on brand options	31-Dec-2014	The work has commenced on agreeing the priorities for the brand development and key stakeholders have been identified	Yes
CP14_1_02 Employment - Town Centre	CP14_1_02b Assist with land assembly	Authorise CPO procedure	31-Oct-2014	The CPO timetable is governed by the developer. There is one outstanding issue to be resolved before making the CPO and this is likely to be resolved during January 2015.	No
CP14_1_02 Employment - Town Centre	CP14_1_02e Review existing ring road	Work in partnership with ESCC to finalise scope of project	30-Sep-2014	Project Initiation Document prepared and presented to the Project Board on 5 June.	Yes
CP14_1_03 Business Support Scheme	CP14_1_03a Use of technology to promote local services including procurement	In partnership with Town Team, TechResort, Eastbourne UnLtd Chamber of Commerce and Sunshine Coast Limited to create a dedicated website and app.	31-Oct-2014	Discussions ongoing regarding the data sharing agreement. **Website** delivered.	Yes
CP14_1_03 Business Support Scheme	CP14_1_03b Maximise Business Rate Relief giving £800k back to small businesses	Draft local Rate Relief Policy	14-May-2014	Draft local Rate Relief policy has been formulated.	Yes
		Complete consultation with stakeholders	30-Jun-2014	Consultation completed	Yes
		Report to Cabinet to adopt local policy.	31-Jul-2014	Local policy agreed by Cabinet on 16 July 2014.	Yes

Parent Action	Action	Description	Due Date	Note	Completed
CP14_1_04 Employment - Sovereign Harbour	CP14_1_04b Progress the provision of the Community Centre	Secure agreement for the site from the land owner.	30-Apr-2014	Site was acquired on 15th April.	Yes
		Procure development partner to deliver the community centre	31-Jul-2014	Commissioned Sea Change Sussex to deliver the community centre.	Yes
CP14_2_02 Improving the Cleanliness of the Street and Public Areas	CP14_2_02a Prevention campaigns to reduce environmental crime	Complete litter campaigns all zones	30-Sep-2014	Design of litter campaign in progress, with a competition for children to design an anti litter poster. The poster will not be ready until 31st Jan 2015	No
		Complete fly tipping campaigns all zones	31-Oct-2014	'Neighbourhood First' are aware stickers have been designed to use when the team report and investigate fly tipping. The team had a stand at 999 weekend (5 / 6 July) promoting the work we do and discussing fly tipping issues. Engagement is starting with key sectors of the community to try to tackle underlying causes of fly tipping.	Yes
CP14_2_02 Improving the Cleanliness of the Street and Public Areas	CP14_2_02b Renovation of public conveniences	Specify internal fixture and fittings and decorations	31-Jul-2014	Specification in development. Three site visits undertaken to view modular systems in other WC. Project group formed including Friends of Hampden Park.	Yes
		Specify schedule of works	31-Jul-2014	Specification in development. Three site visits undertaken to view modular systems in other WC. Project group formed including Friends of Hampden Park.	Yes
		Put works out to tender and receive returns	31-Aug-2014	Works have been tendered and contract awarded.	Yes
CP14_2_03 Allotment Provision	CP14_2_03a Continue to build extra allotment spaces in phases throughout the year	Churchdale Road planning permission	30-Apr-2014	Planning Committee considered application on **15 April**. Permission granted with conditions.	Yes
		Reptile mitigation completed	31-Oct-2014	Consultants advised 17 October 2014 that active reptiles are still being captured and have advised a revised start date of the 27 October 2014 for a destructive reptile search	Yes
CP14_2_ENV Priority Theme 2 Quality Environment	CP14_2_03 Allotment Provision	Specify and secure quotations to create allotments	30-Sep-2014	Quotations received.	Yes
		Reptile Mitigation	17-Oct-2014	The unseasonal high temperatures extended the reptile mitigation to the 31 October 2014	Yes
CP14_2_03 Allotment Provision	CP14_2_03b Bring Highfield allotments back into use	Reptile Mitigation	30-Oct-2014	The wildlife and reptile mitigation survey for Highfield Allotments (Bodiam Crescent) was completed in June 2014 and this has identified a high reptile population on this site and we are investigating the possibility of	Yes

Parent Action	Action	Description	Due Date	Note	Completed
				reducing plot numbers slightly on this site to leave an area fallow for reptiles. This was originally designed to create an additional 47 plots. The reptile mitigation was originally scheduled for completion by the 30 October 2014 but the unseasonal high temperatures resulted in the trapping and capture extending into October.	
		Initial clearance and cultivation of site	28-Nov-2014		Yes
CP14_2_04 Towards a Low Carbon Town	CP14_2_04a Implement actions to reduce the carbon use of the Council's own buildings (a)	Complete feasibility study for the creation of a smart grid	30-Nov-2014	This was connected to funding application from DECC (see second note below). Expected completion now to be 30 June 2015.	No
CP14_2_04 Towards a Low Carbon Town	CP14_2_04b Implement actions to reduce the carbon use of the Council's own buildings (b)	Complete feasibility study for alternative heating and lighting solutions for the Eastbourne Sports Park	30-Sep-2014	Had been awaiting potential solutions from Carillion. As they did not materialise moved to different framework contract with Kier, awaiting solutions.	No
CP14_2_05 Transport - Cycling Provision	CP14_2_05a Implement Cycle Strategy	Publish feedback on consultation on priority cycle routes	30-Apr-2014	– Feedback published as part of the report to **Cabinet** on 19th March.	Yes
		In partnership with ESCC complete detailed design of 5 new cycle routes	30-Nov-2014	Detailed designs have been completed for three routes; Meads to town centre and seafront, town centre to seafront via Devonshire Place and Horsey Phase 1. The Horsey Phase 3 route is to be constructed on floodplain and therefore the detailed design and associated planning is extensive. Construction of the route is not expected until the Summer of 2016. The provision of the seafront cycle route has been delayed due to ongoing discussion with DCLG regarding the amendment to the byelaw. These delays are outside EBC's control as they involve external partners/stakeholders.	No
CP14_2_06 Eastbourne Park	CP14_2_06a Form a land owners group and stakeholders group to implement action plan for the Park	Agree branding and publicity material to increase awareness and use of the Park	30-Sep-2014	No disagreement to proposals from landowners group, so new branding to be adopted.	Yes
CP14_2_06 Eastbourne Park	CP14_2_06b Carry out feasibility work for the new flood mitigation measures	Complete scope of the flood scheme	30-Nov-2014	The scoping works have been completed. A meeting has been arranged to finalise procurement procedures.	Yes
CP14_2_07 Pride in Our Parks	CP14_2_07b Biodiversity	Appoint Consultants	30-Apr-2014	First site meeting on 26 March 2014.	Yes

Parent Action	Action	Description	Due Date	Note	Completed
	Report on Hampden Park Lake	Interim appraisal of report	31-Aug-2014	The report will be developed throughout the year, but progress is being monitored regularly. There are 4 reports being created throughout the full year and those completed to date have been appraised.	Yes
CP14_2_07 Pride in Our Parks	CP14_2_07c Hampden Park Management Plan	Tender project	31-May-2014	This project is a little behind schedule. A consultants' brief has been prepared and a request to return quotations has been sent out for return by the 31-July-14.	Yes
		Appoint consultants	07-Jun-2014	Consultants have now been appointed to work on the management plan.	Yes
CP14_2_07 Pride in Our Parks	CP14_2_07d Old Town Recreation Ground Management Plan	Tender project	31-May-2014	This project is a little behind schedule. A consultants' brief has been prepared and a request to return quotations has been sent out for return by the 31-July-14.	Yes
		Appoint consultants	07-Jun-2014	Consultants have now been appointed to work on the management plan.	Yes
CP14_2_07 Pride in Our Parks	CP14_2_07e Deliver key elements of the Princes Park Development Plan	Prioritise and commence process to procure consultancy works to deliver the plan	31-May-2014	The key elements of the Princes Park Development Plan have been included within the Coastal Communities Grant and we have been successfully in passing Stage One of the funding application for more than £800,000. More detailed work is now required to work up the scheme to planning application stage. The bid is to deliver improvements to the cafe and also creating a new entrance from the seafront into Princes Park. Other parts of the development plan are ongoing and improvements to the infrastructure have been made (main path from Wartling Road to mini roundabout) and the modernisation of planted displays.	Yes
		Planning Permission/ Building Control required for proposed improvements – Princes Park café and public realm improvements i.e. access from the promenade through car park	30-Sep-2014	Planning permission obtained. We now await the result of the second round CCF bid.	Yes
		Submit stage 2 of Coastal Communities Fund bid	15-Oct-2014	Stage 2 of the CCF bid was submitted by the dead-line.	Yes
CP14_3_01 Develop Youth Services and Activities	CP14_3_01a Deliver new Youth Strategy to be implemented in 2015	Agree scope of Strategy with Youth Partnership	30-Sep-2014	Initial outline discussed with Youth Partnership and Youth Forum. Data is being collected and surveys of young people, parents and agencies have been carried out and analysed to confirm priorities.	Yes

Parent Action	Action	Description	Due Date	Note	Completed
		Produce consultation draft	31-Dec-2014	Consultation draft completed 23 Dec 2014 - available to download	Yes
CP14_3_02 Improving Neighbourhood Delivery	CP14_3_02c Deliver grants to Community and Voluntary organisations	Revise policy and procedures to increase transparency and fairness	31-Jul-2014	Revisions to the policy and procedures were presented to Cabinet on 16 July 2014 and approved. These will be publicised during August and expressions of interest invited for Community Grant funding in 2015/16	Yes
		Launch programme for 2015/16 grants	31-Aug-2014	The programme was launched through the Herald, local VCS newsletters and a meeting in August. Organisations were invited to submit initial Expressions of Interest. Those organisations eligible to apply for grants have now been invited to apply in full and to attend training sessions on 20th and 30th October.	Yes
		Monitor 2013/14 small grants	30-Sep-2014	Monitoring returns have been received from 15 the 16 groups which were awarded grants in 2013 to 14. An email has been sent to the remaining organisation reminding them of the need to return these.	Yes
		Assess applications received	31-Dec-2014	Applications assessed and will be presented to Grants Task Group January 2015 before recommendations are made to Cabinet February 2015	Yes
CP14_3_02 Improving Neighbourhood Delivery	CP14_3_02d Monitoring and Analysis of Ward Walks	First Ward Walk event held	30-Sep-2014	Two ward walks locations have now been agreed for Langney and Upperton. Planning is underway for delivery by 30 December 2014.	No
		Second Ward Walk event held	30-Sep-2014	Two ward walks locations have now been agreed for Langney and Upperton. Planning is underway for delivery by 30 December 2014.	No
		Feedback collated and analysed	30-Nov-2014	Formal events deferred to Spring. Informal arrangements continue for both wards to ensure regular resident engagement.	No
CP14_3_02 Improving Neighbourhood Delivery	CP14_3_02e ECSP Programme Delivery Plan	Quarter 1 Update	30-Jun-2014	The ECSP has been refreshed and updated for 2014/2017 with additional focus on domestic violence, road safety, street community and child exploitation. Of the 41 actions contained in the plan 32 are currently on track, green, with none showing red. It is contended that effective implementation of the plan over the next three years will assist partners continue to drive community safety improvements, as documented in previous years.	Yes

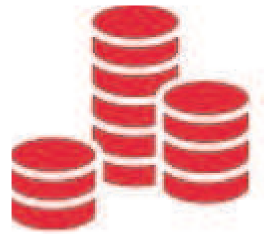
Parent Action	Action	Description	Due Date	Note	Completed
		Quarter 2 Update	30-Sep-2014	The ECSP has been refreshed and updated for 2014/2017 with additional focus on domestic violence, road safety, street community and child exploitation. Of the 41 actions contained in the plan 32 are currently on track, green, with none showing red. It is contended that effective implementation of the plan over the next three years will assist partners continue to drive community safety improvements, as documented in previous years.	Yes
		Quarter 3 Update	31-Dec-2014	The ECSP has been refreshed and updated for 2014/2017 with additional focus on domestic violence, road safety, street community and child exploitation. Of the 41 actions contained in the plan 32 are currently on track, green, with none showing red. It is contended that effective implementation of the plan over the next three years will assist partners continue to drive community safety improvements, as documented in previous years.	Yes
CP14_3_03 Best Use of Housing Resources	CP14_3_03a Housing Futures - Agree new approach to housing management of municipal housing stock	Recommended approach reported to Cabinet	31-Jul-2014	Cabinet Reported has been presented and was approved for 'EHL in Partnership'.	Yes
		Structure of approved approach agreed with all relevant parties	31-Dec-2014	EBC/EHL in ‘partnership working’ approved by EBC cabinet 10/12/14 and EHL Board 11/12/14. Joint EHL/EBC consultation launched 12/12/14.	Yes
CP14_3_03 Best Use of Housing Resources	CP14_3_03b Housing Repairs and Maintenance	Strategic review completed	31-Jul-2014	Strategic review field work, stakeholder workshops and options appraisals were concluded on 14th of July. Initial report and findings were presented to EHL Board by procurement consultants PML on 29th of July. Final report and recommendations for preferred delivery model will go before EHL Board for decision on 25th of September	Yes
		Report on preferred delivery model for new contract circulated	29-Aug-2014	Initial report and findings were presented to EHL Board by procurement consultants PML on 29th of July. Final report and recommendations for preferred delivery model will go before EHL Board for decision on 25th of September	Yes
		Approval of preferred delivery model by EHL and EBC	30-Sep-2014	On 25th September 2014 EHL Board considered the options presented for re-procuring repair services and approved the recommended option (bundled contracts by work stream) as the preferred delivery model.	Yes

Parent Action	Action	Description	Due Date	Note	Completed
CP14_3_03 Best Use of Housing Resources	CP14_3_03c Housing and Economic Development	Support submission of funding bid for improvements to be made to the market rented sector (in partnership with the Coastal Communities Group of the LEP)	30-Jul-2014	The funding submission bid, as part of the proposal Coastal Communities Group housing initiative, has been submitted, for a programme of a total circa £21,000,000. It should be noted that funding for the programme as a whole has not yet been confirmed by the SELEP.	Yes
CP14_3_03 Best Use of Housing Resources	CP14_3_03e Upperton Gardens	Quarter 1 update	30-Jun-2014	Following a review of how to realise the most positive financial contribution from this property, the original proposal to refurbish and sell as four flats is no longer being taken forward. The property is to be sold as is, with planning consent to secure a profitable sale.	Yes
		Quarter 2 update	30-Sep-2014	Works to communal areas due to start on 29th September 2014. The property is now being actively marketed for sale as three units with new 125 year leases. Council to retain the tenanted flat and freehold.	Yes
		Quarter 3 update	31-Dec-2014	Following a local marketing campaign 46 Upperton Gardens has been sold (subject to contract) with a exchange and completion due early in the New Year.	Yes
CP14_3_03 Best Use of Housing Resources	CP14_3_03f Supporting Housing and Economic Progress (SHEP)	All properties for conversions purchased	30-Jun-2014	The Empty Homes Programme is on track in terms of all of the required properties having now been purchased and a programme for specification and tenders being followed through.	Yes
CP14_3_06 Tennis Development	CP14_3_06a Refurbish Courts at Hampden Park and Old Town Rec with new membership scheme launched	Prepare a 'Tennis Development Plan'	30-May-2014	Parks Tennis Development Strategy completed and submitted with relevant bids.	Yes
		Prepare and submit funding bid to Sport England	06-Jun-2014	Funding bid for £50,000 submitted.	Yes
		Prepare and submit funding bid to Lawn Tennis Association	31-Jul-2014	Funding bid for £80,000 submitted.	Yes
		Procurement for works	30-Oct-2014	The tenders for the refurbishment of the courts have been received. The funding bid to Sport England was not successful, however the funding bid to the LTA (£80k) was successful.	Yes
CP14_3_07 Active Eastbourne	CP14_3_07a Complete and implement the first priorities of the Active Eastbourne strategy	Develop a Sport and Physical Activity Forum	30-Jun-2014	Although we have identified potential members of a sport and physical activity forum we have not yet managed to set a date to meet. A revised timescale for an initial meeting is by 31/08/14 where the group will start to develop an action plan along with setting short term priorities. The forum is now in existence,	Yes

Parent Action	Action	Description	Due Date	Note	Completed
				albeit only as a virtual group at present. Further work is being carried out on the strategy document prior to getting the group together to develop an action plan and set our priorities.	
		Forum to develop and action Plan and prioritise	31-Aug-2014	Following discussions with internal stakeholders and the CEO of Active Sussex it has been agreed that the Sport & Physical Activity Strategy needs to be refreshed prior to the development of an action plan and setting of priorities. The draft strategy was written back in 2012 and presented to CMT at that time. A refreshed document will be finalised by 31st Dec 2014 and an action plan in place for April 2015.	No
		Commence work on action plan	30-Sep-2014	Following discussions with internal stakeholders and the CEO of Active Sussex it has been agreed that the Sport & Physical Activity Strategy needs to be refreshed prior to the development of an action plan and setting of priorities. The draft strategy was written back in 2012 and presented to CMT at that time. A refreshed document will be finalised by 31st Dec 2014 and an action plan in place for April 2015.	No
		Monitor progress on actions through quarterly forum meetings	31-Dec-2014		No
CP14_3_08 Devonshire Park	CP14_3_08c Complete new façade to Congress Theatre	Commence works to façade	31-Aug-2014	Works started.	Yes
CP14_4_02 Sustainable Service Delivery Strategy (SSDS)	CP14_4_02a Implementation of Future Model Phase 2	Programme plan reviewed and re-published	30-Jun-2014	The new programme plan has been agreed and reported to DRIVE Board, staff and Cabinet. Covalent milestones have been updated accordingly.	Yes
		Consultation on target operating model started	15-Dec-2014	Consultation started on time, with four staff briefings and all consultation material published on the intranet.	Yes
CP14_4_02 Sustainable Service Delivery Strategy (SSDS)	CP14_4_02b Exploring a range of partnerships to achieve further efficiencies	Commission iESE review of shared Corporate Services with Lewes District Council/other organisations	30-Apr-2014	Review commissioned and initial findings have been reported to both Lewes and Eastbourne Cabinets. IESE are now looking to work up the detailed business case and implementation plan.	Yes
		Consult on outcome/recommendations of iESE review	31-Jul-2014	All corporate services teams have been consulted about the changes.	Yes
		Report to Cabinet with recommendations on the sharing of corporate services with Lewes District Council/other organisations	10-Sep-2014	Report to Cabinet on 22 October 2014.	Yes

Parent Action	Action	Description	Due Date	Note	Completed
		Where applicable/approved begin implementation programme for shared corporate services with Lewes District Council/other organisations	31-Oct-2014	Implementation programme started. Human Resources and Legal Services will be the first two shared services commencing in April 2015. Work is ongoing on the roadmaps for Finance, Property and IT.	Yes

Overarching commentary : Prosperous Economy – Q3



This third quarter sees more progress on the main long term corporate projects for the economic regeneration of the town. Work continues with the land assembly for the Arndale extension and L&G continue to purchase property by private treaty. The Compulsory Purchase Order has been completed and awaiting confirmation that L&G are ready for the Council to progress the Order to the next stage.

The plans for the improvement to Terminus Road are in the final design phase and they have been shared with key stakeholders for feedback. The programme for the improvement works is to coincide with the Phase 1 opening of the new Arndale extension. This means work on the improvements is programmed to begin during 2015.

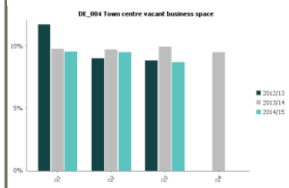
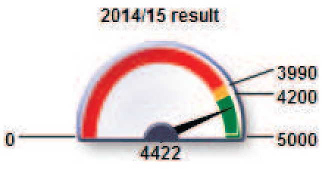
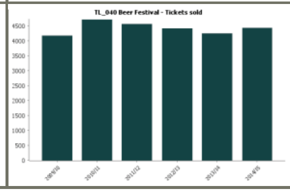
The construction of the Innovation Mall at Sovereign Harbour is progressing well and expected to be completed this year. The Innovation Mall provides 3,000 square metres of floorspace and will provide up to 300 jobs.

A significant piece of work has been undertaken to minimize the impact of the Pier fire on the tourist season. At the time of the fire last summer the government pledged a £2m grant to assist with the mitigation of the fire and a business case has been submitted to DCLG to unlock the monies for future tourist based projects.

Prosperous Economy PIs 2014/15 Q3

Rows are sorted by Code

Traffic Light	
Green	**1**
Data Only	**1**

Traffic Light Icon	Code & Short Name	Year to date	Q3 2014/15 Value	Comparison with previous year's quarter / previous year's value if annual PI.	Latest Note	Portfolio Owner
	DE_004 Town centre vacant business space	Latest result for 2014/15 as of December 2014 8.65%	8.65%		The town centre vacancy rate of 8.65% compares with a national vacancy rate of 10.3%. The latest audit was carried out after Christmas which slightly affected the vacant % due to temporary Christmas shops closing.	Jeff Collard
	TL_040 Beer Festival - Tickets sold		Not measured for Quarters		The Ticket sales for the 2014 Eastbourne Beer Festival were 4422 over the 4 sessions, generating a gross income of £28,491, net of VAT £23,743	Rob Cottrill

Overarching commentary : Quality Environment – Q3

Hampden Park Skate Park has been fully completed, including the access route. The Park Management Plans are nearing completion. Work on developing the new allotments plots has been slowed by adverse weather but the target for new plots will be met.

The renovation of Hyde Gardens and Hampden Park public conveniences will commence in Jan/Feb and be completed by the end of the quarter.

Waste contract performance is steady. The rollout of new recycling schemes to the flats has been completed. The Joint Waste Partnership is working on an action plan to increase recycling further which will be the subject of a report to Joint Waste Committee in March.

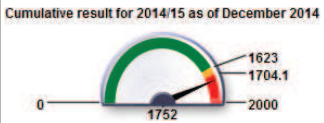
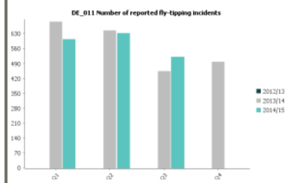
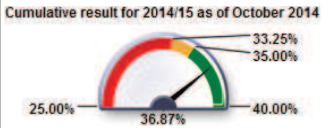
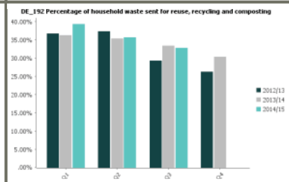
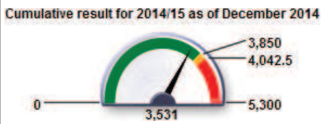
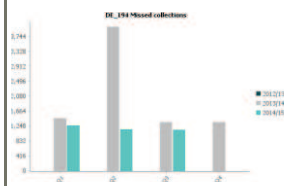
With the signing of the section 106 agreement on the Sovereign Harbour planning application, the work on delivering the community centre at Sovereign Harbour has been a priority during the last quarter. An architect, project manager, structural engineer and specialists in community centre business planning have been appointed and work on initial designs is currently taking place with a view to finalising the designs by March 2015.

The design of three cycle routes planned to be completed by 1 April have been finalised and are being constructed. A discussion with DCLG continues about creating more flexibility in the existing byelaw so that a seafront route can be designed in detail.

Quality Environment PIs 2014/15 Q3

Rows are sorted by Code

Traffic Light	
Red	**1**
Green	**2**

Traffic Light Icon	Code & Short Name	Year to date	Q3 2014/15 Value	Comparison with previous year's quarter / previous year's value if annual PI.	Latest Note	Portfolio Owner
Red	DE_011 Number of reported fly-tipping incidents		519		In Q3 2013 there were 658 reported fly tips across the town. In Q3 2014 there were 517, with 199 made by advisors with the **Report it** app as they actively address issues, especially in Devonshire and Meads wards. It would be expected to achieve the 5% reduction by the end of Q4.	Henry Branson
Green	DE_192 Percentage of household waste sent for reuse, recycling and composting		32.81%		The Q3 data is not due from ESCC until 5 weeks after the end of December. However the data for October has been received and we are on target to achieve the annual target of 35%.	Henry Branson
Green	DE_194 Missed collections		1,130		Missed Collections for Q3 were in line with the target figures with small increase seen in November following round balancing activity at the end of October. This involved changing the collection days and therefore collection crews for around 2000 properties in the town to ensure the number of properties collected from each day is more evenly spread, enabling	Henry Branson

Traffic Light Icon	Code & Short Name	Year to date	Q3 2014/15 Value	Comparison with previous year's quarter / previous year's value if annual PI.	Latest Note	Portfolio Owner
					collection. We are on track to meet the annual target.	

Overarching commentary : Thriving Communities – Q3

The work to reach RIBA Stage 2 on the Devonshire Park Project is now in its final phase and on track for a Cabinet decision in March to agree the concept design and programme for the development. The work has been guided by a cross party project board, while a Partnership Group of stakeholders has been kept informed of the project and had input into the designs as it has progressed. Meanwhile contractors, Triton Building Renovation, have been progressing with the replacement of the Congress Theatre facade. Having completed the demolition of the failing facade, the work has now turned to constructing the new facade with improved performance for a long life with minimum maintenance. Work is due to be completed in April.

The 2014 Youth Fair was successfully delivered and this year by EBC Community staff with funding contributions from East Sussex County Council TYS service; Amicus Horizon; Places for People; and Active Sussex and costs have been fully covered. The average age of young people attending and taking part has reduced each year since the first event in 2012 and Post Fair Consultation identified that the Fair was drawing in much younger children and their parents, rather than teenagers, who are the target age group. The Youth Strategy Action Plan was implemented in November 2014 and is available upon request.

The Small Grants Programmed for community and voluntary organisations ran utilising a two stage process this year. 52 Expressions of Interest were registered with the Council and after eligibility assessments were undertaken, 33 organisations were invited to submit a full application. 28 full applications were received and assessed and the scores were presented to the Grants Task Group in January 2015. Recommendations will be made to Cabinet during February 2015.

The Eastbourne Community Safety Plan, (ECSP) has been refreshed and updated for 2014-2017, with additional focus on: domestic violence; road safety; street community; and child exploitation. Of the 41 actions contained in the plan, 32 are currently on track, green, with none showing red. It is contended that effective implementation of the plan over the next three years will assist partners to continue to drive community safety improvements, as documented in previous years.

The next step of Housing Futures, the new approach to housing management of the housing stock, has been agreed. EBC/EHL in 'partnership working' was approved by EBC cabinet on the 10th December 2014 and was approved by EHL Board on the 11th December 2014. Joint EHL/EBC consultation was launched on 12th December 2014. The next step will be to ensure new management arrangements are in place, with all relevant contracts signed.

With regard to the development of new homes on Council land, the planning application (140990) for the sites of 164 Longstone Road and 25a Belmore Road, that was submitted on 23rd July 2014, was approved conditionally on 1st October 2014 for the development of 8 two bedroom residential units and 10 parking spaces. Demolition work for the site of Belmore Road / Longstone Road started on 27th October 2014, and the building work started on 27th November 2014. With regard to the site where Coventry Court used to be, following permission being granted of planning application (140770), works started on 13th October 2014, for the development of 23 residential units and 31 parking spaces, comprising of 13 terraced houses (8no x 3 bed and 5no x 2 bed), and 10 flats in two blocks (8no x 2 bed and 2no x 1 bed).

EBC Housing Team completed their annual rough sleepers count overnight on 15th October 2014, which was the National co-ordinated allocated date. This year eleven individuals sleeping rough were identified and offers of support given to all individuals.

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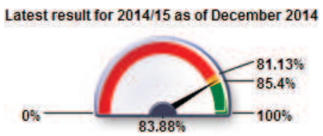
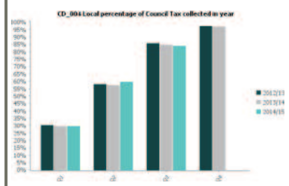
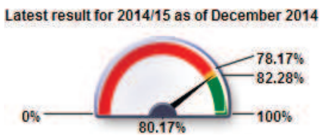
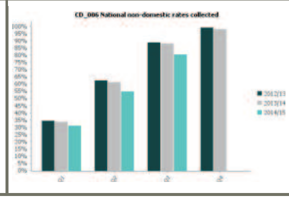
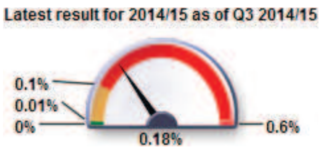
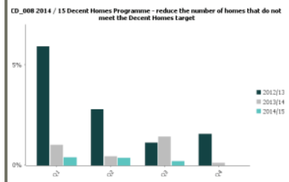
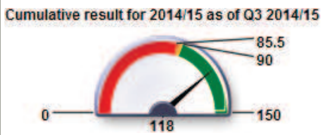
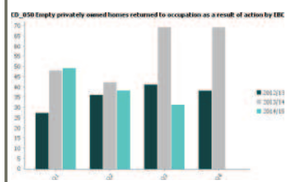
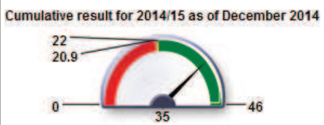
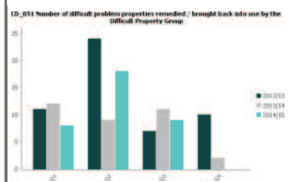
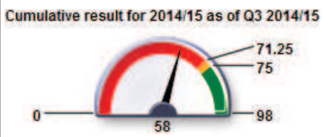
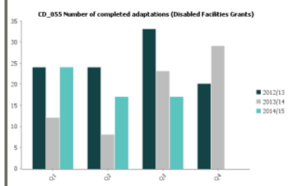
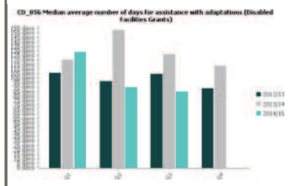
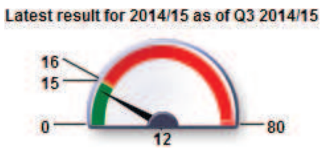
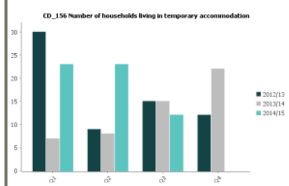
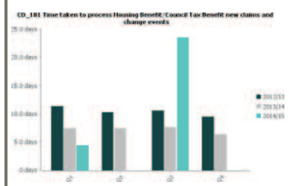
Thriving Communities PIs 2014/15 Q3

Rows are sorted by Code

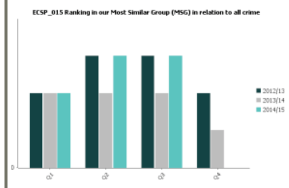
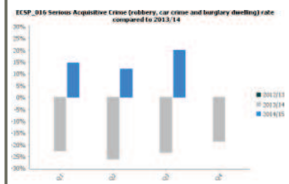
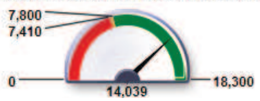
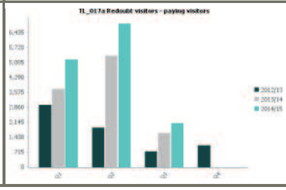
Traffic Light	
Red	**3**
Amber	**2**
Green	**7**
Data Only	**4**

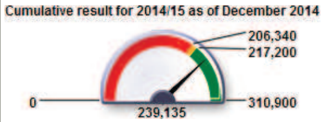
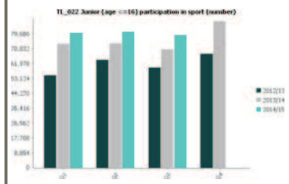
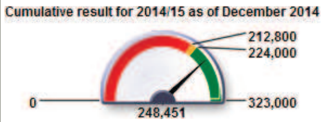
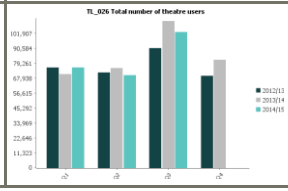
Traffic Light Icon	Code & Short Name	Year to date	Q3 2014/15 Value	Comparison with previous year's quarter / previous year's value if annual PI.	Latest Note	Portfolio Owner
	CD_004 Local percentage of Council Tax collected in year		83.88%		The team has been working hard to ensure the new Revenues/Benefits system is on track to be in place by year end. Whilst implementation is now going well, the service had not been able to progress recovery action on a large number of accounts, mainly those with an element of Council Tax Reduction, due to the migration to OPENRevenues. The service has recently been able to start the recovery process on these accounts, but the delay will have an impact on the collection rate.	Ian Fitzpatrick
	CD_006 National non-domestic rates collected		80.17%		As per commentary for CD_004, collection has been affected by the migration to the OPENRevenues system and the delay in the recovery timetable and process. Teams are working hard to recover the position as much of the position as possible.	Ian Fitzpatrick

Traffic Light Icon	Code & Short Name	Year to date	Q3 2014/15 Value	Comparison with previous year's quarter / previous year's value if annual PI.	Latest Note	Portfolio Owner
	CD_008 2014 / 15 Decent Homes Programme - reduce the number of homes that do not meet the Decent Homes target		0.18%		The Council continues to maintain decency levels for the housing stock at almost 100%. At the end of December the number of non decent general needs properties was six. These properties will be repaired or refurbished before the end of the financial year. The number of properties that have refused work has reduced to 33 from 36 previously reported at the end of September 2014. These properties are still classified as decent in accordance with Department of Communities and Local Government Guidance. Refusals are closely monitored and the numbers of refusals is diminishing as repairs are completed when properties come vacant or when residents' circumstances change, allowing works to proceed.	Ian Fitzpatrick
	CD_050 Empty privately owned homes returned to occupation as a result of action by EBC		31		This is just above target for quarter three 2014/15 and the Council's landlord incentive scheme has a very positive effect, as this contributes to 19 of the 31 properties brought back into use during quarter three 2014/15. However 12 of the longer long term empty properties, those empty longer than six months, should give sole credit to the work of the Empty Property Officer.	Ian Fitzpatrick
	CD_051 Number of difficult problem properties remedied / brought back into use by the Difficult Property Group		9		Proactive work of the DPG working in partnership with HEDP has remedied 9 difficult properties. It is anticipated that this proactive approach to dealing with the Borough's most difficult properties will continue into the next quarter.	Ian Fitzpatrick

Traffic Light Icon	Code & Short Name	Year to date	Q3 2014/15 Value	Comparison with previous year's quarter / previous year's value if annual PI.	Latest Note	Portfolio Owner
	CD_055 Number of completed adaptations (Disabled Facilities Grants)		17		The number of DFGs completed in this quarter is 17 which is lower than the target figure of 25. The Private Housing Team are ensuring that the £250,000 worth of approved DFG grants are completed by year end, to meet the objective of achieving an overall delivery figure of 100.	Ian Fitzpatrick
	CD_056 Median average number of days for assistance with adaptations (Disabled Facilities Grants)		84 days		The number of days taken to deliver a DFG from receipt of application to formal sign off a DFG is well within target standing at 84 days and is even lower than the previous quarter, in which the same number of DFG application processes were completed.	Ian Fitzpatrick
	CD_156 Number of households living in temporary accommodation		12		The numbers in temporary accommodation remain consistently high due to the level of demand, which is due to an increase of landlord evictions from the private rented sector and households seeking homelessness prevention advice. As a snapshot on the 30th September 2014, the last day of quarter 2, 2014/2015, there were 23 placements in temporary accommodation. Throughout the entire of Quarter 2 of 2014/2015 there have been 56 placements within temporary accommodation.	Ian Fitzpatrick
	CD_181 Time taken to process Housing Benefit/Council Tax Benefit new claims and change events		23.4 days		Migration to the OPENRevenues system meant that no processing work could be undertaken for the 5/6 week close down period. It also led to a large backlog of work that the team are addressing. It was always understood that the	Ian Fitzpatrick

Traffic Light Icon	Code & Short Name	Year to date	Q3 2014/15 Value	Comparison with previous year's quarter / previous year's value if annual PI.	Latest Note	Portfolio Owner
					migration would have had an adverse impact on the time recorded as being taken to process new claims and changes. However, during the close down period the service made manual payments to new claimants to ensure that they received some benefit, even if it was not the full amount they were entitled to.	
	ECSP_002 Shoplifting rate compared to 2013/14	**Latest result for 2014/15 as of December 2014** 7.75%	7.75%		Sussex Police has recently introduced a new computerised operational and crime recording system, based on a national model which has seen categories of crime increase throughout the force area. Eastbourne has been no exception and has seen recorded crime increase in a number of areas. The new process has highlighted an increase in this category, which should trend lower over the time period of a performance year	Ian Fitzpatrick
	ECSP_004 Violent Crime in a Public Place rate compared to 2013/14	**Latest result for 2014/15 as of December 2014** 44.54%	44.54%		Sussex Police has recently introduced a new computerised operational and crime recording system, based on a national model which has seen categories of crime increase throughout the force area. Eastbourne has been no exception and has seen recorded crime increase in a number of areas. The new process has particularly impacted performance in this category, though it is important to contextualise against major reductions over previous years.	Ian Fitzpatrick

Traffic Light Icon	Code & Short Name	Year to date	Q3 2014/15 Value	Comparison with previous year's quarter / previous year's value if annual PI.	Latest Note	Portfolio Owner
	ECSP_015 Ranking in our Most Similar Group (MSG) in relation to all crime	Latest result for 2014/15 as of November 2014 3	3		The introduction of a new computerised operational and crime recording system which has shown increases of crime, it is worthy of note that Eastbourne is third lowest in overall crime when compared with our Most Similar Group (MSG). From September 2014, Eastbourne has been moved to a lower crime MSG.	Ian Fitzpatrick
	ECSP_016 Serious Acquisitive Crime (robbery, car crime and burglary dwelling) rate compared to 2013/14	Latest result for 2014/15 as of December 2014 20.05%	20.05%		Sussex Police has recently introduced a new computerised operational and crime recording system, based on a national model which has seen categories of crime increase throughout the force area. Eastbourne has been no exception and has seen recorded crime increase in a number of areas. The new process has highlighted an increase in this category which should trend lower over the time period of a performance year. Eastbourne within its new Most Similar Group (MSG) remains the lowest in terms of Burglary Dwelling and 3rd lowest for Overall Crime.	Ian Fitzpatrick
	TL_017a Redoubt visitors - paying visitors	Cumulative result for 2014/15 as of November 2014 	2,078		November was another good month, helped by the unseasonably sunny weather at the beginning of the month. The Redoubt is now closed for the season following an excellent year for visitor numbers.	Rob Cottrill

Traffic Light Icon	Code & Short Name	Year to date	Q3 2014/15 Value	Comparison with previous year's quarter / previous year's value if annual PI.	Latest Note	Portfolio Owner
✔	TL_022 Junior (age <=16) participation in sport (number)		78,563		Junior numbers are again very encouraging with 78,563 attending our six sites over the 3 month period. This represents an increase of 8321 on the same period last year. The Sovereign Centre continues to be responsible for the majority of this increase although with the exception of Cavendish Sports Centre all sites recorded an increase on the previous year. We are now heading into the busiest quarter of the year for our indoor facilities and it is anticipated that we will record our highest annual junior participation numbers to date.	Rob Cottrill
✔	TL_026 Total number of theatre users		102,470		Q3 very good, well beyond targeted year end	Rob Cottrill

Overarching commentary : Sustainable Performance – Q3

The Future Model Phase 2 draft Target Operating Model (TOM) was published for consultation on target in December. Four staff briefings were held and there are a range of feedback mechanisms for staff. Workshops continue through January and February, feeding into both the final TOM and the technical build work in the Spring. The programme is tight but currently remains on target.

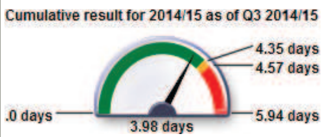
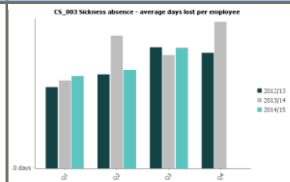
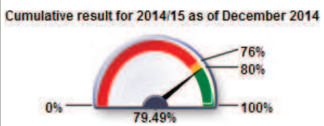
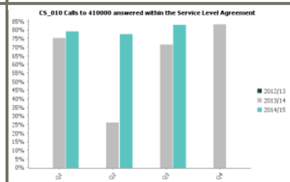
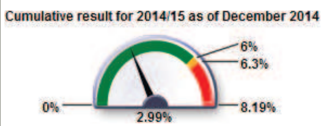
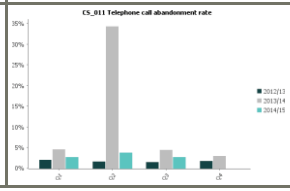
Work is progressed on the shared corporate service project with Lewes District Council. HR and Legal Services will go live in April, whilst work is ongoing on the roadmaps for IT, property and finance.

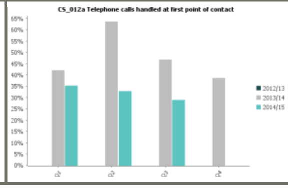
The main project for the Estates Service this year, other than the Devonshire Park project, is moving the service to a Corporate Landlord Team. The intention is to begin to put this in place by April 2015. The work started last quarter continues and is looking at the most effective way to procure the services of the team and put in place the policies for ensuring a sustainable asset base. That work has shown up a need to better understand the Eastbourne Homes Ltd repairs and maintenance contract (due for renewal in April 2016) and see how we can align with Lewes DC. This means implementation of the Corporate Landlord Model will take until April 2016 to be fully in place

Sustainable Performance PIs 2014/15 Q3

Rows are sorted by Code

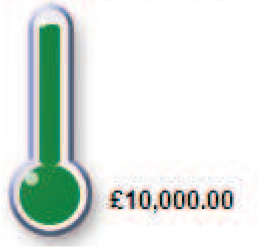
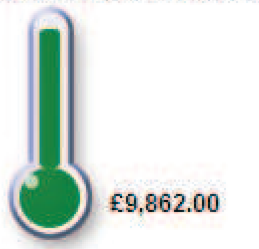
Traffic Light	
Amber	**1**
Green	**2**
Data Only	**1**

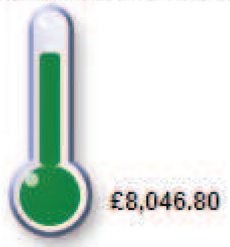
Traffic Light Icon	Code & Short Name	Year to date	Q3 2014/15 Value	Comparison with previous year's quarter / previous year's value if annual PI.	Latest Note	Portfolio Owner
	CS_003 Sickness absence - average days lost per employee		1.54 days		Q3 figure of 1.54 days is in line with previous Q3 figures and renders us on target.	Alan Osborne
	CS_010 Calls to 410000 answered within the Service Level Agreement		82.7%		Achieved the target for December	Henry Branson
	CS_011 Telephone call abandonment rate		2.6%		A great month for the abandonment rate despite the volume of calls over the Christmas period	Henry Branson

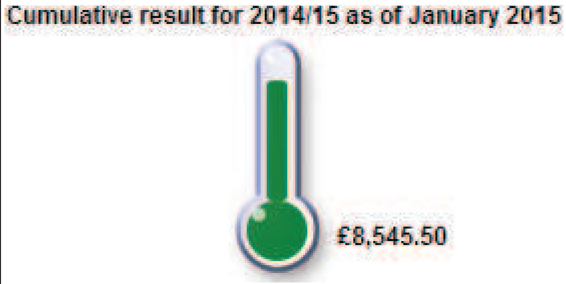
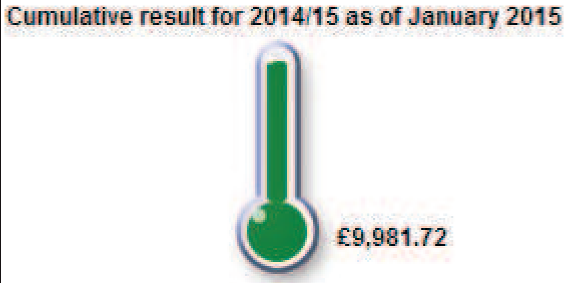
Traffic Light Icon	Code & Short Name	Year to date	Q3 2014/15 Value	Comparison with previous year's quarter / previous year's value if annual PI.	Latest Note	Portfolio Owner
	CS_012a Telephone calls handled at first point of contact	Cumulative result for 2014/15 as of December 2014 32.36%	28.66%		An increase in calls resolved at the first point, this could be due to CCWS sitting with the team and more training in planning	Henry Branson

Devolved Budgets 2014/5

Wards	Gauge	Projects	Project Budget
Devolved Budget Spend - Devonshire	Cumulative result for 2014/15 as of January 2015 	Diwali Project	£300.00
		East of the Pier Heritage Walks	£918.00
		Edible Eastbourne	£1,000.00
		Leaf Hall Seedy Sunday	£500.00
		Neighbourhood Watch Literature	£53.62
		Redoubt Memorial Garden	£1,298.38
		Salvation Army	£600.00
		Seaside Magic	£2,280.00
		Seaside Rec	£100.00
		Seaside Rec Tree	£250.00
		Steam Punk Festival	£100.00
		Trees – Ceylon Place	£1,000.00
		Venton Centre equipment	£600.00
		West Rise School	£1,000.00

Devolved Budget Spend - Hampden Park	Cumulative result for 2014/15 as of January 2015 	ECCN Carnival	£200.00
		ESDA Garden	£700.00
		Hampden Park Community Association Refurbishment	£3,000.00
		Hampden Park in Bloom	£600.00
		Nepalese Group	£1,030.00
		Seats – Pigs Lane	£396.00
		Shaftsbury Centre	£1,000.00
		West Rise School	£1,000.00
		Willingdon Trees Community Games	£1,624.00
		Willingdon Trees Sports Event	£450.00
Devolved Budget Spend - Langney	Cumulative result for 2014/15 as of January 2015 	Bee project	£1,684.00
		Footpath, Shinewater Community Centre	£978.00
		Get on Your Bike Challenge	£200.00
		Improvements to Shinewater Community Centre Service Lane	£3,750.00
		Tree in Sevenoaks Road	£250.00
		West Rise School	£3,000.00

Devolved Budget Spend - Meads	Cumulative result for 2014/15 as of January 2015 	Eastbourne Heritage Centre Heating	£924.00
		Little Chelsea Christmas	£900.00
		Meads Magic	£710.00
		Neighbourhood Watch Leaflets	£300.00
		St Johns Church Hall	£3,338.92
Devolved Budget Spend - Old Town	Cumulative result for 2014/15 as of January 2015 	6 Trees within the Ward	£1,500.00
		Ladies Bowling	£1,230.00
		Mobile Memories	£198.00
		St Elisabeth's Community Theatre	£1,000.00
		St Michaels and All Angels	£4,000.00
		West Rise School	£1,000.00
Devolved Budget Spend - Ratton	Cumulative result for 2014/15 as of January 2015 	1 Tree in Old Mansion Close	£250.00
		Bench at War Memorial in Hampden Park	£1,364.80
		Fence – Willingdon Roundabout	£1,700.00
		Neighbourhood Watch Leaflets	£300.00
		Ratton Manor Estate Signage	£432.00
		Trees	£3,000.00
		West Rise School	£1,000.00

Devolved Budget Spend - St Anthony's		Bridgemere Community Centre Noticeboard	£1,640.70
		Seaside Rec	£100.00
		Skate World	£1,054.80
		Tollgate School Play Equipment	£2,500.00
		Trees	£750.00
		Trees – Bowood Avenue	£500.00
		West Rise School	£2,000.00
Devolved Budget Spend - Sovereign		1 Bench 5 Acre Field	£750.00
		1 Bench in Frobisher Close	£750.00
		1 Tree in Queens Crescent	£250.00
		2 Benches Sovereign Harbour	£1,500.00
		4 Trees in Beatty and Princes Road	£1,000.00
		Benches – 5 Acre Field	£1,500.00
		Interpretation Board SS Barn Hill	£500.00
		Kings Park Management Company replacement seating	£646.80
		Kingsmere Community Association computer equipment	£760.00
		Langney Point and St Anthonys Neighbourhood Panel sound system	£74.97
		Neighbourhood Watch Leaflets	£300.00
		Signage to the entrance of Sovereign Harbour	£1,250.00
		Sovereign Harbour Residents Association computer equipment	£699.95

Devolved Budget Spend - Upperton	Cumulative result for 2014/15 as of January 2015 	5 Trees within the Ward	£1,250.00
		Basil Memorial Dog Show	£980.00
		Community Wise	£1,000.00
		Eastbourne Allotment and Garden Society	£830.00
		Eastbourne Girls Football Club	£750.00
		Gildredge Park Bowls Club Notice Board	£735.10
		Hartfield Park Improvements	£2,498.00
		Historic Eastbourne Signs	£456.81
		Neighbourhood Watch Leaflets	£300.00
		Replacement tree – Churchill Square	£250.00
		St Thomas A Becket Banners	£150.09
		Street Pastors	£800.00
Devolved Budget Spend - all wards	Cumulative result for 2014/15 as of January 2015 		

	Current Budget £'000	Profiled Budget £'000	Actual to 31st Dec £'000	Variance £'000	Outturn £'000	Comments
Corporate Management	**267**	**273**	**172**	**(101)**	**(100)**	Includes additional corporate income
Service Management	142	87	61	(26)	(27)	Includes additional grant income
Performance and Risk Managemet	122	111	111	-	-	
Civil Contingencies	27	20	20	-	-	
Finance Management and Operational Costs	560	532	534	2	7	
Corporate Finance Costs	359	354	354	-	-	
Payroll and Information	90	72	74	2	5	
Pensions	608	426	426	-	-	
Financial Services	**1,908**	**1,602**	**1,580**	**(22)**	**(15)**	
Service Management	234	198	194	(4)	(5)	
Civic Services (including Printing)	448	359	355	(4)	2	
Elections and Local Land Charges	132	131	137	6	14	
Strategic Performance	92	75	76	1	3	
Legal Services	220	189	218	29	26	
Human Resources Management and Admin	249	182	185	3	3	
Employee Relations	20	18	18	-	-	
Member Development	11	8	3	(5)	(5)	
HR Resourcing and Development	88	39	39	-	-	
Corporate Development	**1,494**	**1,199**	**1,225**	**26**	**38**	
Service Management	86	65	66	1	2	
IT & E-Government	1,770	1,421	1,427	6	7	
Facilities Management	385	345	314	(31)	(32)	Additional rental income
Customer First	6,490	4,500	4,470	(30)	(32)	
Estates / Asset Management	(448)	(525)	(531)	(6)	(5)	
Corporate Infrastructure and Customer First	**8,283**	**5,806**	**5,746**	**(60)**	**(60)**	
Total Corporate Services	**11,952**	**8,880**	**8,723**	**(157)**	**(137)**	
COMMUNITY SERVICES						
Service Management	**(38)**	**68**	**53**	**(15)**	**(25)**	
Housing Services Management	62	93	104	11	(5)	
Revenues and Benefits	321	36,792	36,845	53	31	
Housing Needs	156	157	176	19	26	
Homelessness	169	173	172	(1)	(9)	
EH Private Sector Housing	197	171	175	4	4	
Bereavement	(952)	(625)	(645)	(20)	(21)	

	Current Budget £'000	Profiled Budget £'000	Actual to 31st Dec £'000	Variance £'000	Outturn £'000	Comments
Direct Assistance	**(47)**	**36,761**	**36,827**	**66**	**26**	
Community Development	112	88	103	15	17	
Community Involvement	70	53	51	(2)	-	
Community Grants	417	417	417	-	-	
Community Activity	**599**	**558**	**571**	**13**	**17**	
Housing / Homelessness Strategy	67	90	80	(10)	(14)	
Solarbourne	(277)	(247)	(265)	(18)	(20)	
Strategic Partnership	**(210)**	**(157)**	**(185)**	**(28)**	**(34)**	
Total Community Services	**304**	**37,230**	**37,266**	**36**	**(16)**	
TOURISM AND LEISURE						
Service Management	98	74	59	(15)	(15)	
Sport & Leisure	316	346	342	(4)	9	
Theatres	739	603	586	(17)	(51)	
Tourism	515	322	430	108	96	Includes expected shortfall in Dotto Train income
Events & Devonshire Park	540	409	415	6	-	
Towner	732	755	754	(1)	-	
Total Tourism & Leisure Services	**2,940**	**2,509**	**2,586**	**77**	**39**	
TOTAL SERVICE EXPENDITURE	**15,196**	**48,619**	**48,575**	**(44)**	**(114)**	

Transfers (to) and from reserves to be approved by cabinet

Item No.	Amount	Reserve Code	Reserve	Reason
1	£33,000	z10130	Regeneration Reserve	Professional Tennis - funding of growth item
2	£3,000	z10128	Revenue Grants Reserve	Use of 'Our Place' funding grant
	£36,000			

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Scheme	Total Scheme Approved	Total spend to 31.3.14	Approved Budget 2014-15	Revised Budget 2014-15	Spend to 31 Dec 2014	Variance to Revised Budget	Funding of Budget 2014-15	Comments
HOUSING REVENUE ACCOUNT								
Sheltered Remodelling		2,050,114	1,866,000	1,866,000	1,471,397	-394,603	Reserves/EBC	On target to complete in 2014-15
Major Works (Incl Adaptations)		6,113,353	4,327,100	4,327,100	2,631,056	-1,696,044	Reserves/EBC	On target to complete in 2014-15
Environmental Improvements		81,670	96,900	96,900	13,486	-83,414	Reserves/EBC	On target to complete in 2014-15
Managed by Eastbourne Homes	Ongoing	**8,245,137**	**6,290,000**	**6,290,000**	**4,115,939**	**-2,174,061**		
Other Schemes								
House Rescue Emergency Fund	200,000	0	200,000	0	0	0	Borrow	Re-profiled to 2015-16
46 Upperton Gardens	20,000	0	20,000	20,000	140	-19,860	EBC	Works complete. Part of property in process of being sold
Willowfield Sq	172,096	172,096	0	0	146	146	EBC	Property in process of being sold
Empty Homes Programme Phase 1	2,493,273	667,501	1,825,772	1,825,772	671,607	-1,154,165	Grant/Borrow	On target to complete in 2014-15
New Build	4,928,255	73,038	4,855,217	2,942,488	549,762	-2,392,726	Grant/Borrow /EBC/S106	On target to complete 2015-16
NAHP Programme	3,359,952	0	3,359,952	66,155	66,155	0	Grant/EBC	Completion expected 2016-17
Empty Homes Programme Phase	2,137,200	213,704	0	592,500	14,724	-577,776	Borrow	Purchase of some property planned for 2014-15 and further works to be completed in 2015-16
Total HRA		**9,371,476**	**16,550,941**	**11,736,915**	**5,418,473**	**-6,318,443**		
COMMUNITY SERVICES								
Memorial Safety Cems	40,000	6,080	34,000	0	0	0	EBC	Re-profile to 2015-16
Digitalise Burial Records	10,000	0	10,000	0	0	0	EBC	Re-profile to 2015-16
Crematorium - Main Chapel	21,000	0	21,000	0	0	0	EBC	Re-profile to 2015-16
Ocklynge Cemetery Chapel	150,000	0	150,000	75,000	2,000	-73,000	EBC	Start on site planned for Q4 with completion 2015-16
Barbican Memorial Scheme	5,000	0	5,000	5,000	5,290	290	EBC	Completed
Main Chapel Refurb - Phase 2	26,000	0	26,000	13,000	4,830	-8,170	EBC	Works to be completed in 2015-16
Disabled Facilities Grants	Ongoing	2,323,467	677,800	527,800	291,308	-236,492	Grant	On target to complete in 2014-15. Some re-profiling to 2015-16
BEST Grant (housing initiatives)	Ongoing	1,728,501	197,450	47,450	27,930	-19,520	Grant	Re-profiled in line with expected spend
Social Housing Enabling								
New Beach Huts	235,240	0	235,240	20,240	0	-20,240	Borrow	Most works planned for 2015-16
Willingdon Trees Multi Gym	20,000	0	20,000	0		0	EBC	Community Association obtaining quotes
Total Community Services		**4,058,048**	**1,376,490**	**688,490**	**331,358**	**-357,132**		
CUSTOMER FIRST								
Contaminated Land	185,000	82,966	102,000	0	0	0	Grant	Re-profile to 2015-16
Coast Defences Beach Management Strategy	Ongoing	4,542,586	540,850	540,850	243,203	-297,647	Grant	On target to complete in 2014-15

Scheme	Total Scheme Approved	Total spend to 31.3.14	Approved Budget 2014-15	Revised Budget 2014-15	Spend to 31 Dec 2014	Variance to Revised Budget	Funding of Budget 2014-15	Comments
Cycling Strategy	45,000	0	40,600	0	0	0	EBC	Detailed design being finalised. Awaiting advice from CLG re seafront bye laws
Park and Ride	50,000	0	50,000	0	0	0	EBC	Re-profile to 2015-16
Princes Park (schemes to be decided)	210,000	10,000	183,000	4,500	4,425	-75	S106	Result of bid for additional funds expected Feb 15
Play Area Sovereign Harbour	27,000	0	27,000	0	0	0	S106	Re-profile to 2015-16
Allotment Upgrade	114,000	99,908	14,100	14,100	12,985	-1,115	Borrow/EBC	On target to complete in 2014-15
Hampden Park Skate Park	170,000	5,686	165,350	165,350	156,807	-8,543	S106/EBC	Completed. Retention outstanding
Five Acre Field - Improvements	55,000	43,483	11,550	11,550	4,590	-6,960	S106/EBC	On target to complete in 2014-15
Upperton - Play Equipment	60,000	39,482	20,500	20,500	20,479	-21	EBC	Completed
Churchdale Road Allotments	38,000	12,774	25,250	25,250	13,215	-12,035	S106	On target to complete in 2014-15
Play Equipment - Bodiam Cres	80,000	0	80,000	80,000	79,709	-291	EBC	Completed
Sovereign Harbour - Legal Advice	20,000	0	20,000	20,000	0	-20,000	EBC	Commissioned Sea Change Sussex to deliver the Community centre at Sov Harbour
Terminus Road Improvements	500,000	0	500,000	0		0	EBC	Spend expected 2015-16
Christmas Lights	25,000	0	25,000	25,000	20,000	-5,000	EBC	Completed
CIL - Software	14,000	0	14,000	14,000	4,393	-9,608	EBC	On target to complete in 2014-15
Five Acre Field - Railings	20,000	0	20,000	20,000	20,000	0	EBC	completed
Hampden Park WCs	40,000	0	40,000	40,000	0	-40,000	EBC	Completion due end of March
Sov Harbour Community Centre	1,600,000	0	0	0	0	0	EBC/S106 /Grant	2015-16 Budget
Highfield Allotments	25,000	0	25,000	25,000	9,555	-15,445	Grant/Borrow	On target to complete in 2014-15
Hyde Gardens WC	40,000	0	40,000	40,000	0	-40,000	Borrow	Completion due end of Feb
Total Customer First		**4,836,886**	**1,944,200**	**1,046,100**	**589,360**	**-456,740**		
TOURISM & LEISURE								
Volleyball Court	25,000	0	25,000	2,000	2,000	0	EBC	On target to complete in 2015-16
Signage	40,000	23,917	16,100	0	0	0	EBC	On target to complete in 2015-16
Sports Park Flood Lights	30,000	0	30,000	0	0	0	EBC/Grant	Quotes received over £100k. New bid required in 2015-16
Re-surface Tennis Courts	265,000	0	265,000	265,000	3,724	-261,276	EBC/Grant	Work due to start January. Completion due 2014-15
Wish Tower - Catering Outlet	40,000	36,000	4,000	4,000		-4,000	EBC	On target to complete in 2014-15
Bandstand Seating	15,000	0	15,000	15,000	14,981	-19	EBC	Completed
Serco Contract	Ongoing	10,000	312,430	312,430	0	-312,430	EBC	On target to complete in 2014-15
ILTC - Air Conditioning	60,000	0	60,000	60,000	0	-60,000	EBC	Works to start in Q4
ILTC - Public Address System	40,000	0	20,000	20,000	0	-20,000	EBC	Works to start in Q4
ILTC - Electrical System	10,000	0	10,000	10,000	6,295	-3,705	EBC	Completed under budget
ILTC - Fire Alarm	10,000	0	10,000	10,000	0	-10,000	EBC	On target to complete in 2014-15
ILTC - Replacement Seating	100,000	0	100,000	83,600	83,611	11	EBC	Completed under budget
ILTC - Replacement Showers	25,000	0	25,000	25,000	18,236	-6,764	EBC	Completed under budget
Total Tourism & Leisure		**69,917**	**892,530**	**807,030**	**128,848**	**-678,182**		
CORPORATE SERVICES								
Carbon Reduction Works	467,500	0	467,500	233,500	0	-233,500	EBC	Works to start Q4. Completion in 2015-16

Scheme	Total Scheme Approved	Total spend to 31.3.14	Approved Budget 2014-15	Revised Budget 2014-15	Spend to 31 Dec 2014	Variance to Revised Budget	Funding of Budget 2014-15	Comments
Agile phase 2	555,000	447,991	107,700	27,700	5,853	-21,847	EBC	Some budget re-profiled to 2015-16
6 Saffrons Road Renovations	117,000	107,121	0	0	0	0	EBC	Completed
Invest to Save	80,000	0	80,000	80,000	0	-80,000	Borrow	Available for allocation
Redesign of CCC at 1 Grove Road	370,000	35,877	409,100	409,100	151,127	-257,974	Borrow	On target to complete in 2014-15
IT Replacement	42,500	33,288	9,200	9,200	1,983	-7,217	EBC	Completed
Future Model Phase 2	2,990,000	1,181,493	818,500	1,311,500	1,008,982	-302,519	EBC/Borrow	On target. Separate progress report presented to Cabinet
Capital Contingencies	Ongoing	3,220,764	0	0	460,138	460,138	EBC	Subject to Legal process
Investment Capital	5,750,000	1,150,000	3,000,000	0	0	0	EBC	2015-16 Budget
Solar Panels (2nd Programme)	500,000	0	500,000	250,000	0	-250,000	Borrow	Works to start Q4. Completion in 2015-16
IT - Block Allocation	Ongoing	110,493	307,500	150,000	119,993	-30,007	EBC	Some budget re-profiled to 2015-16
Total Corporate Services		**6,287,027**	**5,699,500**	**2,471,000**	**1,748,075**	**-722,925**		
Asset Management								
Devonshire Park Review	950,000	0	950,000	900,000	411,057	-488,943	Borrow	Works on target to complete 2015-16
Congress Theatre redesign & restoration	1,950,000	41,748	1,908,250	1,300,250	355,649	-944,601	EBC/Borrow	Works on target to complete April 2015
Bandstand Restoration	245,000	247,000	34,500	34,500	34,583	83	Borrow	Completed
Royal Hippodrome Theatre (Phase 1)	15,000	0	19,700	19,700	19,669	-31	Borrow	Completed
Downland Pumps Replacement	24,900	0	24,900	24,900	3,410	-21,490	Borrow	On target to complete in 2014-15
Hampden Park Hall Improvements	34,700	0	30,000	30,000	13,998	-16,002	Borrow	On target to complete in 2014-15
Brick Shelter? Depends on survey	65,000	0	15,000	15,000	0	-15,000	Borrow	Works to start 2014-15. Completion expected 2015-16
Motcombe Dovecot	17,000	0	17,000	17,000	0	-17,000	Borrow	On target to complete in 2014-15
Hyde Gardens WC - external works	25,000	0	25,000	25,000	0	-25,000	Borrow	On target to complete 2014-15
Hampden Park WCs - external works	15,000	0	15,000	15,000	0	-15,000	Borrow	On target to complete 2014-15
Asset Management - Block Allocation	2,243,000	0	290,200	0	0	0	Borrow	Structural maintenance programme has been agreed.
Total Asset Management		**288,748**	**3,329,550**	**2,381,350**	**838,365**	**-1,542,985**		
							% Completed	
General Fund		**15,540,626**	**13,242,270**	**7,393,970**	**3,636,007**	**-3,757,963**	**49.2%**	
HRA		**9,371,476**	**16,550,941**	**11,736,915**	**5,418,473**	**-6,318,443**	**46.2%**	
Total		**24,912,102**	**29,793,211**	**19,130,885**	**9,054,479**	**-10,076,406**	**47.3%**	

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Body:	**Cabinet**
Date:	**4 February 2015**
Subject:	**General Fund Revenue Budget 2015/16 and Capital Programme 2014/18**
Report Of:	**Deputy Chief Executive**
Ward(s)	All
Purpose	To agree the detailed General Fund budget proposals for 2014/2015 and Capital Programme 2014/2018.
Decision Type:	Budget and Policy Framework requiring approval of Full Council
Recommendation:	Members are asked to recommend the following proposals to Full Council:

(i) General Fund budget for 2014/15 (Revised) and 2015/16 (original) (**Appendix 1**) including growth and savings proposals for 2015/16 as set out in **Appendix 2**.

(ii) No increase in the Council Tax for Eastbourne Borough Council resulting in an unaltered Band D charge of £224.19 for 2015/16.

(iii) General Fund capital programme and financing 2014/18 as set out in **Appendix 3**.

Contact: Alan Osborne, Deputy Chief Executive and Chief Finance Officer, Telephone 01323 415149 or internally on extension 5149.
E-mail address: alan.osborne@eastbourne.gov.uk

1.0 Introduction

1.1 This report sets out the general fund revenue budget proposals for 2015/16 and a rolling three year capital programme 2014/18.

1.2 The Housing Revenue Account 2015/16 and associated capital programme, together with rent setting for 2015/16 is subject of a separate report elsewhere on this agenda.

1.3 The Council revised its medium term financial strategy (MTFS) in July 2014 and the Cabinet recommended a resulting draft 2015/16 budget proposal in December 2014 following the service and financial planning process in the autumn.

1.4 The MTFS and the draft budget have been subject to consultation as reported to Cabinet and Scrutiny in December.

1.5 The budget is the product of various plans and strategies as part of an integrated and corporate planning process and is linked principally to:

- The MTFS
- Asset Management Plans
- The Corporate Plan
- Workforce Strategy
- Treasury Management Strategy
- Service Plans
- HRA business plan
- DRIVE corporate transformation programme
- Sustainable Service Delivery Strategy

1.6 The Chief Finance Officer has a specific legal responsibility to give positive assurances on:

- The robustness of the estimates used in the budget
- The level of reserves

If the recommendations of this report are agreed then these assurances will prevail.

2.0 Summary of recommended budget proposals

2.1 The budget proposals include:

- No increase in the Council Tax in 2015/ 16
- Overall savings/new income totalling £1.5m (9% of the net budget)
- Efficiency savings of £1m (6% of the net budget)
- Inflation of £0.6m (4% of the net budget)
- Other recurring service growth of £0.4m
- Non recurring service investments £0.5m
- General Reserves averaging in excess of £4m (against a minimum recommended of £2m)
- Capital resources of £0.8m invested in new capital schemes

2.2 The budget represents continued management of financial risks by:

- Building on a favourable outturn position
- Balancing the base budget requirement without needing to use reserves for recurring expenditure
- Identifiable and deliverable savings with accountability and no general unidentified targets
- Reserves well above the minimum level
- Zero basing of minor reward grants
- Providing the funding required for the DRIVE change programme to deliver the future savings required by the MTFS via the strategic change fund.

3.0 2015/16 Resources

3.1 Government Funding

3.2 The underlying methods of Local Government financing were changed significantly from 2013/14 and 2014/15 onwards the wrapping up of grants in the base "Start Up Funding" notably:

- The Localisation of council tax grant (previously £1.2m)
- The council tax freeze grants
- Some new burdens grants

3.4 For Eastbourne the Headline figures of the Government settlement are:

- A reduction in revenue support grant of £1.2m (30%)
- Partially offset by new homes bonus (additional £0.2m in 2015/16)

3.5 The NNDR business rate base has increased slightly (£0.2m) largely as a result of the inflationary increase which has been capped at 2%.

3.6 In addition to the formula grant the Government is financing the cost of a 1% increase in council tax (£86,000) which it has confirmed will be put in the base for 2016/17 and beyond.

3.7 The Government has announced that Eastbourne will receive £1.1m in total of new homes bonus due to the growth in housing in the area and the further reduction in empty properties.. The grant is paid in tranches for six years. The 2015/16 figure includes 5 tranches. The funding is not guaranteed beyond a 6 year horizon for each tranche. The projected award for 2016/17 is £1.3m. The Government is financing the additional NHB from reductions in RSG, therefore, whilst volatile, it is currently the preferred method of distribution of resources.

3.8 Council Tax

3.9 The proposal for no increase in council tax for 2015/16 results in an unchanged Band D rate of £224.19 for the Council.

3.10 The Council has to give an indication of likely future council tax rises, it is still expected that council tax will rise by no more than 2% per annum for each of the next three years. This is the Governments target for inflation and also the current ceiling on rises that would otherwise require a referendum in order to exceed.

3.11 Within this context, for 2015/16, the Council will raise £7.3m from its share of the council tax. This is determined by multiplying the council tax base of Band D equivalent dwellings by the Band D tax rate of £224.19. This is unchanged from the December tax base setting report.

3.12 In addition, there is a distribution of £24,000 payable by EBC to the collection fund due to a small collection fund surplus.

3.13 **<u>Summary – 2014/15 Resources</u>**

A summary of the resources available is shown below:

Source:	**£'m**
Government formula grant	(2.7)
Retained business rates	(4.0)
New Homes Bonus	(1.1)
Council tax freeze grant	(0.1)
Council tax	(7.3)
Total Resources Available (Rounded)	**(15.2)**

3.14 In order to achieve a balanced budget without using reserves, the Council needs to set a net expenditure budget for 2015/16 of £15.2m.

4.0 Specific Grants

4.1 In addition to the general grant distributed through the new formula grant system, which is given towards financing the Council's net expenditure, the Government also provides some specific grants. These specific grants will fund in part or in full, service costs.

Grant	**2015/ 16 £'m**
Housing Benefit Subsidy	(50)*
Housing Benefit Administration	(0.8)

* Approximate

4.2 Housing Benefit Subsidy:

As part of a national scheme delivered locally, this grant is intended to reimburse the Council for the awards of benefit it makes to eligible tenants in both the private and public rented sector. Not only is this by far the largest single specific grant that the Council receives, but it is performance related. The Council has improved its performance in recent years.

A new system of universal credits was due to be completed in October 2017 which will see the caseload moved to the Department for Work and Pensions. Responsibility for council tax benefit has now devolved to a local level.

4.3 Housing Benefit/Council Tax reduction scheme Administration:

This is to fund the cost to Eastbourne of administering the national Housing Benefit and local Council Tax Support schemes. This represents a reduction of around 15% from the 2013/14 funding.

4.4 Homelessness:

This is intended to assist with prevention and to find alternative accommodation other than bed and breakfast. This grant has now been subsumed into the main grant system.

4.5. New Homes Bonus:

This began in 2011/12 (£187,000) and is guaranteed for six years. A further £190,000 was been awarded for 2012/13 and £180,000 in 2013/14 making a total payable of £557,000 in 2013/14. Further increases will take this source of funding to approximately £1.3m per annum by 2016/17. The Council’s policy as outlined in the MTFS is to utilise surplus grant for economic regeneration initiatives. Therefore the proposed budget includes an increase in the capital financing budget to reflect.

5.0 Budget movements 2014/15 to 2015/16

5.1 The detailed budget proposals are set out in **(Appendix 1)** show in detail the movement from the 2014/15 budget to the 2015/16 proposed budget. The movements are summarised below:-

5.2

Movement from 2014/15 Base Budget	**£m**	**£m**
Change in resources:		
RSG and New Homes Bonus	0.8	
Weekly refuse collection grant	1.3	
Retained business rates	(0.5)	
Council tax – increase in tax base	(0.1)	
Cost increases:		
Inflation	0.5	
Other growth and changes in income	0.4	2.4
Savings:		
Efficiency savings	(1.0)	
Increased Income/other changes	(0.5)	
Reduced contributions to reserves	(0.9)	(2.4)

5.3 If Cabinet approves the proposals set out in the report it will be able to recommend to Council on 18th February a balanced budget in line with available resources without the need to use reserves.

5.4 The Council now follows a rolling three year financial planning cycle and the service and financial plans have been set out in detail for 2015/16. The next MTFS due in July will project forward a further three years and continue to provide the basis of service and financial planning for the medium term. It should be noted that at a significant level the savings required for the next MTFS have already been identified, further reports to Cabinet will detail the business plans under the transformation programme (DRIVE)

5.5 The Government has set out a revised four year programme of reductions in funding and the Council’s current MTFS already takes account of this.

The change programmes in place such as Agile and the SSDS and the rest of the DRIVE programme are projected to deliver savings over and above the minimum in order to create headroom for investment in priority services.

6.0 Risks, Contingencies and Reserves

6.1 All budgets contain an element of financial risk. The Council sets an operational budget with careful consideration of known risks, but accepts that this cannot cover every eventuality. As a consequence the Council sets a contingency budget and holds a minimum level of general reserve as a hedge against additional and significant financial turbulence.

6.2. Principal Risks

The key areas of financial risk that the Council faces in the operation of its 2015/16 budget are:-

- Housing Benefit Performance
- Inflation on goods and services
- Income from services linked to customer choice (theatres, tourism; sports centres, car parking)
- Demand led services
- Legal challenges
- Savings being delayed

On an exception basis, information on each of the risk areas identified above, together with any new and significant risks that may emerge over the course of the year, will be included in each financial performance report to Cabinet and Scrutiny during 2015/16.

6.3 Contingencies

The 2015/16 budget includes a corporate contingency budget of £152,000 to allow for unbudgeted expenditure or reductions in income. This is in addition to the known inflation that has been built into the service budgets It represents 1% of the overall net budget requirement.

6.4 Reserves

Part 2 of the 2003 Local Government Act requires the Chief Finance Officer to report on the adequacy of the proposed financial reserves, and determine the minimum level required. There is no statutory minimum requirement, but reserves must be set at a prudent level given the activities of individual Councils and potential liabilities that they face or may face in the future i.e. a risk based approach. The Council's earmarked reserves are reviewed at least annually for adequacy. If at any time the adequacy is in doubt the Chief Finance Officer is required to report on the reasons, and the action, if any, that he considers appropriate.

The Council will always seek to contain any unforeseen additional costs within allocated annual budgets, including the contingency budget. However, it is proposed that in addition the minimum level of general reserves be set at £2m based on the following:

6.5 **Risk** **£m**

Risk	£m
Unexpected Events e.g. flooding, major storm in excess of Bellwin Scheme provision	0.5
Significant financial overruns e.g. prior year negative Housing Benefits subsidy adjustments and costs of welfare reform	0.5
Exceptional fluctuations in income that have a major corporate impact e.g. loss of major sponsor close to an event (2% of income)	0.3
Cost of providing priority services during an incident or emergency in excess of insurance cover	0.3
Exceptional fluctuations in costs or demand that have a major corporate impact e.g. fuel costs	0.2
Cost of significant breach of legislation e.g. health and safety, human rights	0.2
TOTAL	**2.0**

The overall proposed minimum level of £2 million is the same as the current year and in line with the risk assessment outlined above. It is the view of the Chief Finance Officer that this level of reserves remains adequate to meet the current commitments and proposals detailed within this report and any unforeseen expenditure that cannot be met by external resources.

Should the budget recommendations be followed, the level of general fund reserve is projected at £4m by March 2016 **(Appendix 1)**. In addition to acting as a potential buffer against future risks, this should create further opportunities for one off investments in the future.

6.6 Earmarked Reserves:

The following revenue reserves have been set aside in addition to the general reserve in order to facilitate projects under the DRIVE programme. The available balances at 31.3.15 are projected to be **(Appendix 1):**

Reserve	**Purpose**	**Amount £'m**
Strategic Change	To fund internal transformation projects under DRIVE	0.6
Economic Regeneration	To promote economic growth	0.5

6.7 Other earmarked revenue reserves:

The Council has been following a process of consolidating its reserves into the corporate reserves above. This better facilitates corporate priority planning. The only further reserves that the Council holds have other obligations attached (e.g. Section 106/partnership contributions).

6.8 The Chief Finance Officer is satisfied that the integrated budget and corporate planning process provides a robust basis for identifying appropriate budget estimates and appropriate level of reserves.

7.0 Capital Programme 2014-2018

7.1 The principles for formulating the capital programme were set out in the draft budget report submitted to Cabinet on 10th December 2014. The proposed new schemes to be financed are shown in **bold** in at **(Appendix 3)**.

7.2 The Council has a policy of only using borrowing for schemes that are invest to save and can generate enough savings or additional income to service the financing costs.

7.3 In addition to schemes that qualify for borrowing the Council had a further £0.8m of capital resources to apply to the programme.

7.4 The Housing Revenue Account capital programme is set out in another report on the agenda and is financed entirely from HRA resources. Once approved it will be amalgamated with the general fund programme.

7.5 No uncertain future capital receipts have been factored into the available resource so there will be opportunities to supplement the programme as the three year period progresses. Potential disposals will be identified by the asset management plans.

8.0 Consultation

8.1 The Council's medium term financial strategy and the resulting draft budget proposal for 2015/16 as reported to Cabinet in December have been subject to wide and varied consultation. The Scrutiny Committee held a finance event in October and has been invited to comment on the budget proposals at its meeting in February.

9.0 Implications

9.1 **Financial**

The financial implications of all budget proposals are set out throughout the report and/or within its Appendices.

9.2 **Human Resources**

Implications have been discussed with Members through the detailed service and financial planning process, and where appropriate with the local Branch of Unison. Specific staff briefings have taken place as necessary.

9.3 **Environmental**

Both capital and revenue budget proposals include improvements to the maintenance of Council buildings and open spaces across the town. These include a number of energy efficiency initiatives to reduce usage, cost and emissions. Consultation with residents demonstrates that these types of initiatives are well supported and are seen as high priority areas for new investment.

10.0 Conclusions

10.1 The Council is well placed financially to meet the demands on its services as well as the reductions in Government support over the medium term.

10.2 The new method of distributing Government funding for local government gives incentives for new development both domestic and business.

Alan Osborne
Deputy Chief Executive and Chief Finance Officer

Background Papers:

The Background Papers used in compiling this report were as follows:

Cabinet reports:
December 2013

- Council Tax Base for 2015/16
- Draft Budget Proposals 2015/16
- Consultations on Council priorities

July 2014 – Medium Term Financial Strategy

To inspect or obtain copies of background papers please refer to the contact officer listed above.

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General Fund Revenue Budget 2015/16

	2014/15 Original Budget £'000	2014/15 Revised Budget £'000	2015/16 Budget £'000
Corporate Services			
Corporate Management	268	267	208
Corporate Services	1,875	1,790	1,386
Corporate Financial Services	1,772	1,930	1,984
Corporate Development	1,410	1,493	1,447
Corporate Infrastructure and Customer First	8,197	8,284	8,026
	13,522	**13,764**	**13,051**
Community Services			
Service Management	(38)	(38)	(75)
Direct Assistance	(309)	(47)	(315)
Community Activity	554	599	596
Strategic Performance	(210)	(210)	(207)
	(3)	**304**	**(1)**
Tourism & Leisure Services			
Service Management	98	98	104
Sport & Leisure	314	316	322
Theatres	720	739	740
Tourism	551	515	648
Events & Devonshire Park	491	540	586
Towner	681	732	685
	2,855	**2,940**	**3,085**
Net Service Expenditure	**16,374**	**17,008**	**16,135**
Contributions to/(from) Unearmarked Reserves	(209)	46	(890)
Contributions to/(from) Earmarked Reserves	NIL	(8)	NIL
Contributions to/(from) Strategic Change Fund	NIL	(144)	NIL
Contributions to/(from) Capital Programme Reserve	NIL	NIL	NIL
Contributions to/(from) Regeneration Reserve	500	365	NIL
Contributions to/(from) Revenue Grants	NIL	(4)	NIL
Eastbourne Borough Council Budget Requirement	**16,665**	**17,263**	**15,245**
Financed by			
Government Formula Grant	(3,735)	(3,919)	(2,677)
Localisation of Council Tax benefit support transition	NIL	(153)	(141)
Grant to support weekly collection of domestic waste	(1,300)	(1,300)	NIL
New Homes Bonus	(897)	(897)	(1,064)
Retained Business Rates	(3,464)	(3,725)	(3,953)
Council Tax Grant	(81)	(81)	(86)
Contribution to Council Tax Deficit/(Surplus)	14	14	(25)
Council Tax Collection Fund Precept	(7,202)	(7,202)	(7,299)
Total Financing	**(16,665)**	**(17,263)**	**(15,245)**

	2014/15 Original Budget £'000	2014/15 Revised Budget £'000	2015/16 Budget £'000
General Fund Reserve			
In hand at 1st April	(3,967)	(4,687)	(4,537)
Transfer to Regeneration Reserve	NIL	NIL	NIL
Transfer General Fund Surplus	NIL	NIL	NIL
Financing of Non Recurring Expenditure	471	486	487
Withdrawal/(Addition)	(262)	(532)	NIL
Allocated for Future Use	NIL	196	NIL
In hand at 31st March	**(3,758)**	**(4,537)**	**(4,050)**
Strategic Change Fund Balance			
In hand at 1st April	(700)	(1,212)	(639)
Transfer from General Earmarked Reserves	NIL	NIL	NIL
Withdrawal/(Addition)	NIL	144	NIL
Allocated For Future Use	NIL	429	500
In hand at 31st March	**(700)**	**(639)**	**(139)**
Capital Programme Reserve			
In hand at 1st April	(85)	(1,119)	(752)
Transfer from General Fund	NIL	NIL	NIL
Withdrawal/(Addition)	NIL	NIL	NIL
Allocated For Future Use	NIL	367	500
In hand at 31st March	**(85)**	**(752)**	**(252)**
Regeneration Reserve			
In hand at 1st April	(158)	(761)	(1,013)
Transfer from General Fund Reserve	NIL	NIL	NIL
Withdrawal/(Addition)	(500)	(365)	NIL
Allocated For Future Use	170	113	500
In hand at 31st March	**(488)**	**(1,013)**	**(513)**

Corporate Services Budget 2015/16 — Appendix 1

	2014/15 Original Budget £'000	2014/15 Revised Budget £'000	2015/16 Budget £'000
Corporate Management	**268**	**267**	**208**
Capital Financing	1,697	1,677	1,834
Corporate Savings - Future Model			(600)
Contingencies - 1% of net budget	178	113	152
Corporate Services	**1,875**	**1,790**	**1,386**
Service Management	141	142	149
Performance and Risk Management	47	122	48
Civil Contingencies	26	27	29
Finance Management/Operational Costs	478	560	710
Corporate Finance Costs	382	381	317
Payroll and Information	90	90	92
Pensions	608	608	639
Corporate Financial Services	**1,772**	**1,930**	**1,984**
Service Management	234	234	243
Civic Services including Printing	446	448	460
Electoral and Local Land Charges	52	132	40
Strategic Performance	91	92	95
Legal Services	220	220	233
Human Resources Management and Admin	109	249	257
Employee Relations	64	19	20
Member Development	52	11	11
HR Resourcing and Development	142	88	88
Corporate Development	**1,410**	**1,493**	**1,447**
Service Management	86	86	90
IT & E-Government	1,710	1,769	1,651
Facilities Management	383	385	201
Customer First	6,456	6,491	6,620
Estates / Asset Management	(438)	(447)	(536)
Corporate Infrastructure and Customer First	**8,197**	**8,284**	**8,026**
Total Corporate Services	**13,522**	**13,764**	**13,051**

Community Services Budget 2015/16 **Appendix 1**

	2014/15 Original Budget £'000	2014/15 Revised Budget £'000	2015/16 Budget £'000
Service Management	91	91	54
Charges outside General Fund	(129)	(129)	(129)
Service Management	**(38)**	**(38)**	**(75)**
Housing Services Management	63	62	65
Revenues and Benefits	62	321	67
Housing Needs	156	156	168
Homelessness	167	169	160
Private Sector Housing	197	197	198
Bereavement	(954)	(952)	(973)
Direct Assistance	**(309)**	**(47)**	**(315)**
Community Development	110	113	106
Community Involvement	70	70	85
Community Grants	374	416	405
Community Activity	**554**	**599**	**596**
Housing / Homelessness Strategy	67	67	70
Solarbourne	(277)	(277)	(277)
Strategic Partnership	**(210)**	**(210)**	**(207)**
Total Community Services	**(3)**	**304**	**(1)**

Tourism Leisure Services Budget 2015/16 Appendix 1

Tourism & Leisure Services	2014/15 Original Budget £'000	2014/15 Revised Budget £'000	2015/16 Budget £'000
Service Management	98	98	104
Sport & Leisure	314	316	322
Theatres	720	739	740
Tourism	551	515	648
Events & Devonshire Park	491	540	586
Towner	681	732	685
Total Tourism & Leisure Services	**2,855**	**2,940**	**3,085**

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Appendix 2

Proposed Savings

Dept	Service	Proposal	2015/16 Dec Cabinet £'000	2015/16 Feb Cabinet £'000	
Efficiency Savings					
CorpS	High Level Service	Future Model phase 2	(600)	**(600)**	
CorpS	CMT	Shared CMT/EMT roles	(100)	**(92)**	
CorpS	Financial Services	Reduced audit fee	(20)	**(20)**	
CorpS	Financial Services	Bank contract savings	(10)	**(10)**	
CorpS	IT and E Government	Decommission Northgate Revs and Bens system	(58)	**(58)**	
CorpS	IT and E Government	Cease Northgate DBA support	(15)	**(15)**	
CorpS	IT and E Government	Migration to The Link	(11)	**(11)**	
CorpS	IT and E Government	Consolidate systems support costs	(6)	**(6)**	
ComS	Bereavement Services	Gas savings	(13)	**(13)**	
ComS	Revs & Bens	Capita telephone contract (part year)	(105)	**(105)**	
CFirst	Specialist Advisory Team	Waste Contract final savings on contract procurement	(50)	**(50)**	
TS	Events	Reduced postage	(2)	**(2)**	
TS	Events	Walking festival partnership with Wealden	(2)	**(2)**	
	Efficiency Savings Total		**(992)**	**(984)**	
Income Generation					
CorpS	High Level Service	Future Model Accommodation co location with EHL/ other partners	(170)	**(170)**	
CorpS	Corporate Property	Letting space in Town Hall to SCDA	(25)	**(25)**	
CorpS	Corporate Property	Lease management improvements	(79)	**(79)**	
CorpS	Corporate Property	Rent review Bullockdown small holding	(2)	**(2)**	
CorpS	Corporate Property	Water rate increase to let farms and recovery of maintenance costs	(3)	**(3)**	
ComS	Bereavement Services	RPI on fees	(45)	**(45)**	
ComS	Bereavement Services	Tribute screens	(7)	**(7)**	*
ComS	Revs and Bens	Income target for Fraud team to replace reduced grant	(57)	**(57)**	*
TS	Events	Increase income target	(8)	**(8)**	
TS	Events	Introduce an off-road half marathon as part of Beachy Head Marathon	(15)	**(15)**	
TS	Sports and Leisure	Increase income target	(20)	**(20)**	
TS	Theatres	Additional show account income	(10)	**(10)**	
TS	Theatres	Additional refreshment sales at Congress Theatre	(5)	**(5)**	
TS	Theatres	Additional internet booking fees	(5)	**(5)**	
TS	Tourism	Additional income from beach huts	(5)	**(5)**	
TS	Tourism	Additional income from Airbourne exclusive seating	(5)	**(5)**	
	Income Generation Total		**(461)**	**(461)**	
Other Changes					
CorpS	Financial Services	Reduction in unfunded pensions	(30)	**(30)**	
TS	Sports and Leisure	Reduction in equipment budget	(9)	**(9)**	
TS	Tourism	Improved programming at Bandstand	(10)	**(10)**	
TS	Tourism	Reduction in equipment budget	(7)	**(7)**	
	Other Changes Total		**(56)**	**(56)**	
		TOTAL SAVINGS	**(1,509)**	**(1,501)**	

* Linked savings & growth items

Recurring Growth

Dept	Service	Item	2015/16 Dec Cabinet £'000	2015/16 Feb Cabinet £'000	
Corporate Inflation					
	Corporate	Pay Award, contractual increments and pension auto enrolment	240	264	
	Corporate	Inflation on external contracts and other inflation	250	268	
	Corporate	Increase in minimum wage	25	25	
	Corporate	Capital Financing (Target £100,000 to be confirmed)	TBC		
	Corporate Inflation Total		**515**	**557**	
Changes in Income targets					
CorpS	Financial Services	Concessionary Fares income service transferred to ESCC	6	6	
ComS	Revenues and Benefits	Bailiff income reduced due to government change in cost recovery	23	23	
ComS	Revenues and Benefits	Reduction in DWP admin grant for fraud	57	57	*
ComS	Revenues and Benefits	Reduction in HB admin grant	32	32	
ComS	Revenues and Benefits	Reduction in DCLG CTRS grant	7		
CFirst	Specialist Advisory Team	Roundabout sponsorship	9	9	
TS	Tourism	Dotto train income target unachievable	65	65	
TS	Tourism	Leisure travel marketing	25	25	
	Changes in Income Total		**224**	**217**	
Other Growth					
CorpS	Civil Contingencies	East Susses resilience and emergency planning	3	3	
CorpS	Financial Services	Cash Collection contract	23	23	
CorpS	Human Resources	Recruitment 'lovelocaljobs' scheme	4	4	
CorpS	IT and E Government	Mobile telephony increase in number of contracts as envisaged in Agile programme	11	11	
CorpS	IT and E Government	Locata Housing system maintenance	10	10	
CorpS	Corporate Property	Restructure for Corporate Landlord model	80	80	
CorpS	Corporate Property	Water infrastructure new maintenance contract	23	23	
CFirst	Specialist Advisory Team	Splash pad water usage greater then originally estimated	5	5	
CFirst	Specialist Advisory Team	Eastbourne Park ditch maintenance	10	10	
CFirst	Neighbourhood First	Supply of dog bags for dispensers	1	1	*
TS	Events	Permanently fund Proms Big screen event	7	7	
TS	Events	Permanently fund Beer and Cider Festival	14	14	
TS	Events	Permanently fund Cycling Festival	4	4	
TS	Events	Devonshire Park Grounds to bring budget to current standards	8	8	
TS	Sports and Leisure	Administration to tennis delivery partner	5	5	
	Other Growth Total		**208**	**208**	
		TOTAL PROPOSED RECURRING GROWTH	**947**	**982**	

Non Recurring Service Investments

Group	Service	Proposal			
CorpS	Corporate Property	Specialist advice for the Asset Challenge programme	30	30	
CorpS	Corporate Property	Downland Strategy review	20	20	
ComS	Revenues & Benefits	Empty Homes review	20	20	
ComS	Revenues & Benefits	SMS messaging for payment recovery	5	5	
ComS	Revenues & Benefits	Single persons discount review	6	6	
ComS	Community Involvement	Contribution to Local Dementia action plan	10	10	
ComS	Community Involvement	Single Equality Scheme implementation	5	5	
ComS	Community Development	Grants to voluntary organisation	23	23	
ComS	Community Development	Langney Village Hall match funding for works	5	5	
Coms	Bereavement	Books of Remembrance	8	8	
Coms	Bereavement	Replace waiting room furniture	7	7	
ComS	Bereavement	Installation of visual media in both Chapels	10	10	
Coms	Bereavement	Installation of Webcasting	2	2	*
CFirst	Neighbourhood First	Supply one dog bag dispenser in each ward targeted at dog fouling hotspots	2	2	
CFirst	Specialist Advisory Team	Supporting Eastbourne Jobs Hub	35	35	
CFirst	Specialist Advisory Team	Allocation for priority parks and gardens maintenance schemes	100	100	
CFirst	Specialist Advisory Team	Strategic Housing Market assessment	20	20	
CFirst	Specialist Advisory Team	Employment Land Local Plan examination costs	15	15	
CFirst	Specialist Advisory Team	Seafront Local Plan	15	15	
CFirst	Specialist Advisory Team	Strategic Housing Land availability	10	10	
CFirst	Specialist Advisory Team	Bollards and boulders at Fishermans Green	6	6	
TS	Events	Aegon International Tennis	33	33	
TS	Events	Aegon International Tennis Town Dressing	10	10	
TS	Events	Devonshire Park Laser Line Marker	5	5	
TS	Events	Summer Music Festival	25	25	
TS	Events	Big Screen hire for sporting events such as Aegon Finals and Rugby World Cup	20	20	
TS	Sport and Leisure	Tennis Court Refurbishment fund for future repairs part of grant conditions	32	32	
TS	Tourism	Drinking Fountains on the Seafront	8	8	
		TOTAL NON RECURRING INVESTMENTS	**487**	**487**	
		TOTAL GROWTH	**1,434**	**1,469**	

* Linked savings & growth items

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Summary of Capital Programme 2015 to 2018

	Projected Outturn 2014/15	Total 2015/16	Total 2016/17	Total 2017/18
Capital Programme	**£000**	**£000**	**£000**	**£000**
Community Services	689	6,311	9,109	3,996
Customer First	1,046	2,989	410	-
Tourism & Leisure	807	720	-	20
Corporate & Core Services	2,471	5,399	3,070	255
Asset Management	2,381	1,129	500	-
Total Programme	**7,394**	**16,548**	**13,089**	**4,271**
Financed By:-				
Capital Receipts GF	1,094	1,912	250	195
Grants and Contributions	1,386	10,448	11,709	3,996
Major Repairs Reserve	-	-	-	-
Revenue Contribution to Capital	1,015	834	275	-
Reserves	251	-	-	-
Section 106 Contributions	157	1,006	-	-
GF Borrowing	3,491	2,348	855	80
Total Financing	**7,394**	**16,548**	**13,089**	**4,271**

Scheme	Total Scheme Approved	Original Budget Agreed 2014-15	Revised Budget 2014-15	2015-16	2016-17	2017-18
COMMUNITY SERVICES						
Memorial Safety Cems	40,000	34,000		34,000		
Digitalise Burial Records	10,000	10,000		10,000		
Crematorium - Main Chapel	21,000	21,000		21,000		
Ocklynge Cemetery Chapel	150,000	150,000	75,000	75,000		
Barbican Memorial Scheme	5,000	5,000	5,000			
Main Chapel Refurb - Phase 2	26,000	26,000	13,000	13,000		
Disabled Facilities Grants (external funding)	Ongoing	677,800	527,800	813,000		
BEST Grant (housing initiatives)	Ongoing	197,450	47,450	110,000	109,000	109,000
Social Housing Enabling						
Housing Regeneration	7,887,024				4,000,000	3,887,024
Acquisition of Land & Property	**10,000,000**			**5,000,000**	**5,000,000**	
New Beach Huts (25 Traditional & 5 Iconic)	235,240	235,240	20,240	215,000		
Willingdon Trees Multi Gym	20,000	20,000		20,000		
Total Community Services		**1,376,490**	**688,490**	**6,311,000**	**9,109,000**	**3,996,024**
CUSTOMER FIRST						
Contaminated Land	185,000	102,000		102,000		
Coast Defences Beach Management Strategy	Ongoing	540,850	540,850	300,000	300,000	
Cycling Strategy	45,000	40,600		40,600		
Park & Ride	50,000	50,000				
Princes Park (schemes to be decided)	210,000	183,000	4,500	178,500		
Play Area Sovereign Harbour	27,000	27,000		27,000		
Allotment Upgrade	114,000	14,100	14,100			
Hampden Park Skate Park	170,000	165,350	165,350			
Five Acre Field - Improvements	55,000	11,550	11,550			
Upperton - Play Equipment	60,000	20,500	20,500			
Churchdale Road Allotments	38,000	25,250	25,250			
Play Equipment - Bodiam Cres	80,000	80,000	80,000			
Sovereign Harbour - Legal Advice	20,000	20,000	20,000			
Terminus Road Improvements	500,000	500,000		500,000		
Christmas Lights	25,000	25,000	25,000			
CIL - Software	14,000	14,000	14,000			
Five Acre Field - Railings	20,000	20,000	20,000			
Hampden Park WCs	40,000	40,000	40,000			
Sov Harbour Community Centre	1,600,000			1,600,000		
Highfield Allotments	25,000	25,000	25,000			
Hyde Gardens WC	40,000	40,000	40,000			
Cross Levels Way BMX Track	**46,000**			**46,000**		
Hampden Park Path	**25,000**			**25,000**		
Bodiam Cres Play Area Path	**20,000**			**20,000**		
Gildredge Park - Toddler Equipment	**22,000**			**22,000**		
Shinewater Skate Park	**50,000**				**50,000**	
Seaside rec - Play Equipment	**60,000**				**60,000**	
Princes Park - Bowls Club Roof	**28,000**			**28,000**		
Hampden Park - Multi Play Unit	**50,000**			**50,000**		
Motcombe Pond	**50,000**			**50,000**		
Total Customer First		**1,944,200**	**1,046,100**	**2,989,100**	**410,000**	**0**
TOURISM & LEISURE						
Volleyball Court	25,000	25,000	2,000	23,000		
Signage	40,000	16,100		16,100		
Sports Park Flood Lights	30,000	30,000		30,000		
Re-surface Tennis Courts	265,000	265,000	265,000			
Wish Tower - Catering Outlet	40,000	4,000	4,000			

Scheme	Total Scheme Approved	Original Budget Agreed 2014-15	Revised Budget 2014-15	2015-16	2016-17	2017-18
Bandstand Seating	15,000	15,000	15,000			
Serco Contract	Ongoing	312,430	312,430	7,230		
ILTC - Air Conditioning	60,000	60,000	60,000			
ILTC - Public Address System	40,000	20,000	20,000	20,000		
ILTC - Electrical System	10,000	10,000	10,000			
ILTC - Fire Alarm	10,000	10,000	10,000			
ILTC - Replacement Seating	100,000	100,000	83,600			
ILTC - Replacement Showers	25,000	25,000	25,000			
Sports Park Railings	**11,000**			**11,000**		
Redoubt - Stair Climber	**20,000**			**20,000**		
Colonnade Removal	**500,000**			**500,000**		
Redoubt - Asphalt Gun Platform	**50,000**			**50,000**		
HPSC - Changing Rooms	**20,000**					**20,000**
Devonshire Park - Roller	**14,000**			**14,000**		
Devonshire Park - Verti Drain Aerator	**14,000**			**14,000**		
Devonshire Park - Hollow Corer	**15,000**			**15,000**		
Total Tourism & Leisure		**892,530**	**807,030**	**720,330**	**0**	**20,000**
CORPORATE SERVICES						
Carbon Reduction Works	467,500	467,500	233,500	234,000		
Agile phase 2	555,000	107,700	27,700	80,000		
Invest to Save	80,000	80,000	80,000	80,000	80,000	80,000
Redesign of CCC at 1 Grove Road	370,000	409,100	409,100			
IT Replacement	42,500	9,200	9,200			
Future Model Phase 2	2,990,000	818,500	1,311,500	547,000	550,000	
Investment Capital	5,750,000	3,000,000		2,300,000	2,300,000	
Sovereign Harbour Innovation Mall	1,400,000			1,400,000		
Solar Panels (2nd Programme)	500,000	500,000	250,000	250,000		
IT - Block Allocation	Ongoing	307,500	150,000	**507,500**	**140,000**	**175,000**
Total Corporate Services		**5,699,500**	**2,471,000**	**5,398,500**	**3,070,000**	**255,000**
Asset Management						
Devonshire Park Review	950,000	950,000	900,000	50,000		
Congress Theatre redesign & restoration	1,950,000	1,908,250	1,300,250	608,000		
Bandstand Restoration	245,000	34,500	34,500			
Royal Hippodrome Theatre (Phase 1)	15,000	19,700	19,700			
Downland Pumps Replacement	24,900	24,900	24,900			
Hampden Park Hall Improvements	34,700	30,000	30,000			
Thatched Shelters - re-roofing	40,000			40,000		
Brick Shelter? Depends on survey	65,000	15,000	15,000	50,000		
Devonshire Park Theatre - rendering	105,000			105,000		
Archery PCs/Bike Store	50,000			50,000		
Motcombe Dovecot	17,000	17,000	17,000			
Hyde Gardens WC - external works	25,000	25,000	25,000			
Hampden Park WCs - external works	15,000	15,000	15,000			
Downland Pipe replacement	70,000			70,000		
Asset Management - Block Allocation	2,243,000	290,200		156,200	500,000	
Total Asset Management		**3,329,550**	**2,381,350**	**1,129,200**	**500,000**	**0**
GENERAL FUND TOTAL		**13,242,270**	**7,393,970**	**16,548,130**	**13,089,000**	**4,271,024**

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BODY:	**CABINET**
DATE:	**4 February 2015**
SUBJECT:	**Treasury Management and Prudential Indicators 2015/16**
REPORT OF:	**Chief Finance Officer**
Ward(s):	All
Purpose:	To approve the Council's Annual Treasury Management Strategy together with the Treasury and Prudential Indicators for the next financial year.
Decision Type	Key decision
Contact:	Alan Osborne, Chief Finance Officer, Financial Services Telephone Number 01323 415149.

Recommendations: Members are asked recommend to Council;

i) The Treasury Management Strategy and Annual Investment Strategy as set out in this report.

ii) The methodology for calculating the Minimum Revenue Provision set out at paragraph 2.3.

iii) The Prudential and Treasury Indicators as set out in this report.

iv) The Specified and Non-specified Investment categories listed in Appendix 3.

1.0 Introduction

1.1 The Council is required to receive and approve, the Prudential and Treasury Indicators and Treasury Strategy as part of the budget setting process each year. This covers:

- the capital plans (including prudential indicators);
- a Minimum Revenue Provision Policy (how residual capital expenditure is charged to revenue over time);
- the Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

1.2 These elements cover the requirements of the Local Government Act 2003, the CIFPA Prudential Code, the CLG MRP Guidance, the CIPFA Treasury Management Code and the CLG Investment Guidance.

1.3 The Council adopted CIPFA's Treasury Management code of Practice on 18 May 2010. This code is supported by treasury management practices (TMPs) that set out the manner in with the council seeks to achieve the treasury management strategy and prescribes how it manages and controls those activities.

2.0 THE CAPITAL PRUDENTIAL INDICATORS 2013/14 – 2017/18

2.1 Capital Expenditure

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in prudential indicators, which are designed to assist member overview and confirm capital expenditure plans.

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

The capital expenditure forecasts for the Council are:

Capital Expenditure £m	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Non-HRA	8.5	7.4	16.5	9.1	0.4
HRA	7.4	11.7	9.7	5.7	4.4
LAMS	1.0	0.0	0.0	0.0	0.0
Total	16.9	19.1	26.2	14.8	4.8
Financed by:					
Capital receipts	0.1	2.1	4.3	1.1	0.2
Capital grants & external funding	1.8	2.0	11.0	7.9	0.1
Capital reserves	5.8	7.1	5.3	4.2	4.4
Revenue	0.5	1.4	0.8	0.3	0.0
Loans to third party LAMS	1.0				
Net borrowing needed for the year	**7.7**	**6.5**	**4.8**	**1.3**	**0.1**

2.2 The Council's Borrowing Need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

Following accounting changes the CFR includes other long term liabilities (e.g. Serco, PFI schemes, finance leases) brought onto the balance sheet. Whilst this increases the CFR, and therefore the Council's borrowing requirement, these types of scheme already include a borrowing facility and the Council is not required to separately borrow for them. There are currently £1.3m of such schemes within the CFR.

The Council is asked to approve the CFR projections below:

£m	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Capital Financing Requirement					
CFR – non housing	25.0	27.6	28.5	27.8	26.2
CFR - housing	37.5	40.5	42.9	43.4	43.4
Total CFR	**62.5**	**68.1**	**71.4**	**71.2**	**69.6**
Movement in CFR	**6.6**	**5.6**	**3.3**	**(0.2)**	**(1.6)**

Movement in CFR represented by					
Net financing needed for the year (above)	7.7	6.5	4.8	1.3	0.1
Less MRP and other financing movements	(1.1)	(0.9)	(1.4)	(1.6)	(1.6)
Movement in CFR	**6.6**	**5.6**	**3.4**	**(0.3)**	**(1.5)**

Note the MRP includes Serco repayments.

2.3 MRP Policy Statement

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

Regulations require the Council to approve an MRP Statement in advance of each financial year. A variety of options are provided to councils, so long as there is a prudent provision. It is recommended that the following methodology, as used in previous years, be continued:

- For capital expenditure incurred before 1.4.2008 MRP is provided for at 4% of the CFR.
- For capital expenditure incurred since 1.4.2008 MRP be charged using the most appropriate of the following two methods for the individual schemes as determined by the Chief Finance Officer under delegate powers
  - Asset Life method – based on the estimated life of the asset,
  - Depreciation method – based on standard depreciation accounting procedures.

No revenue charge is currently required for the HRA. However under HRA reform the HRA is required to charge depreciation on its assets, which will have a revenue effect. In order to address any possible adverse impact, regulations allow the Major Repairs Allowance to be used as a proxy for depreciation for the first five years.

Repayments included in annual Serco payments and any finance leases are applied as MRP.

The Council has agreed to participate in LAMS (Local Authority Mortgage Scheme) using the cash backed option. The mortgage lenders require a five year deposit from the local authority to match the five year life of the indemnity. The deposit placed with the mortgage lender provides an integral part of the mortgage lending, and is treated as capital expenditure and a loan to a third party. The Capital Financing Requirement (CFR) increased by the amount of the total indemnity. The deposit is due to be returned in full at maturity, with interest paid either annually or on maturity. Once the deposit matures and funds are returned to the local authority, the returned funds are classed as a capital receipt, and the CFR will reduce accordingly. As this is a temporary (five years) arrangement and the funds will be returned in full, there is no need to set aside prudent provision to repay the debt liability in the interim period, so there is no MRP application.

2.4 **Affordability Prudential Indicators**

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. Note that indicators are required to be prepared on the gross capital spend and do not include any resulting income contributions expected from the implementation of the capital scheme. The Council is asked to approve the following indicators:

2.4.1 **Actual and estimates of the ratio of financing costs to net revenue stream.** This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

%	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Non-HRA	6.4	7.6	9.6	11.3	11.6
HRA	10.3	11.8	11.6	12.1	12.1

The estimates of financing costs include current commitments and the proposals in the budget reports.

2.4.2 **Incremental impact of capital investment decisions on the band D council tax -**This indicator identifies the revenue costs associated with proposed changes to the three year capital programme recommended in the budget reports compared to the Council's existing approved commitments and current plans. The assumptions are based on the budget estimates as well as other assumptions based on the Council's Medium Term Financial Strategy.

£	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Council Tax - B**and D**	12.16	3.98	7.99	6.66	1.54

The increase in 2013/14 is attributable to the Local Council Tax Support Scheme which reduced the Council Tax Base by more than 4,500 band D properties.

2.4.3 **Incremental impact of capital investment decisions on housing rent levels** - Similar to the council tax calculation, this indicator identifies the trend in the cost of proposed changes in the housing capital programme compared to the Council's existing commitments and current plans, expressed as a discrete impact on weekly rent levels.

£	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Weekly housing rent levels	0.02	(0.21)	(0.59)	(0.08)	(0.00)

This indicator shows the revenue impact on any newly proposed changes, although any discrete impact will be constrained by rent controls.

3.0 TREASURY MANAGEMENT STRATEGY

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of approporiate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current Portfolio Position

The Council's treasury portfolio position at 31 March 2014, with forward projections, are summarised below. The table shows the actual external borrowing (the treasury management operations), against the capital borrowing need (the Capital Financing Requirement - CFR), highlighting any under borrowing (ie the use of revenue cash balances referred to as internal balances).

£m	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
External borrowing					
Borrowing at 1 April	39.2	42.4	47.4	55.1	57.2
Expected change in borrowing	2.0	3.6	6.7	1.3	0.1
Other long-term liabilities (OLTL)	1.5	1.2	1.3	1.0	0.7
Expected change in OLTL	(0.2)	0.1	(0.3)	(0.3)	0.3
Actual gross borrowing at 31 March	**42.4**	**47.4**	**55.1**	**57.2**	**58.3**
CFR – the borrowing need	62.5	68.1	71.4	71.2	69.6
Use of internal balances	20.1	20.7	16.3	14.0	11.3
Investments	0.1	2.0	0.0	0.0	0.0
Net borrowing	**42.3**	**45.4**	**55.1**	**57.2**	**58.3**

Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well defined limits. One of these is that the Council needs to ensure that its gross borrowing does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2014/15 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

Whilst investment interest rates continue to be below that for borrowing, value for money can be best achieved by avoiding new borrowing and using internal cash balances to temporarily finance new capital expenditure or to replace maturing external debt, thus maximising short term savings. However this needs to be carefully considered to ensure borrowing is taken at advantageous rates, but not taken too long before the need to borrow to avoid the cost of carrying the debt.

3.2 Treasury Indicators: Limits to Borrowing Activity

3.2.1 **The Operational Boundary.** This is the limit beyond which external borrowing is not normally expected to exceed.

The Council is asked to approve the following operational boundary limits:

Operational boundary £m	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Borrowing	66.8	70.4	70.5	68.6
Other long term liabilities	1.3	1.0	0.7	1.0
Total	68.1	71.4	71.2	69.6

3.2.2 **The Authorised Limit for external borrowing -** This represents a limit beyond which external borrowing is prohibited:

The Council is asked to approve the following authorised limit**:**

Authorised limit £m	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Borrowing	81.8	85.4	85.5	83.6
Other long term liabilities	1.3	1.0	0.7	1.0
Total	83.1	86.4	86.2	84.6

Separately, the Council is also limited to a maximum HRA CFR through the HRA self-financing regime of £42.96m. This limit, included in the authorised limits above, is currently:

HRA Debt Limit £m	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Total	40.5	42.9	43.4	43.4

3.2.3 The Council has complied with these prudential indicators in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

3.3 Prospects for Interest Rates

The Council has appointed Capita Asset Services (Capita) as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Appendix 1 draws together Capita's view plus a number of current City forecasts for short term (Bank Rate) and longer fixed interest rates.

A combination of the following and other factors has caused Capita to put back the start of increases in Bank Rate from Q2 2015 to Q4 with knock on delays on increases in following years.

- The plunge in the price of oil has been the major surprise of the last three months. This will reduce inflation and stimulate the economies of oil importing countries.

- UK GDP growth forecasts have recently been more subdued although growth will still remain strong, but not as strong as previously expected.

- The political risks around the UK general election in May 2015 have increased with the likely result now being very hard to predict.

They have also had to bring their short term PWLB forecasts down to reflect current abnormally low levels which are unsustainably low. However, how quickly or slowly they will unwind is very hard to predict.

Investment returns are likely to remain relatively low during 2015/16 and beyond.

Borrowing interest rates have been volatile during 2014 as alternating bouts of good and bad news have promoted optimism, and then pessimism, in financial markets. The closing weeks of 2014 saw gilt yields dip to historically remarkably low levels after inflation plunged, a flight to quality from equities (especially in the oil sector), and from the debt and equities of oil producing emerging market countries, and an increase in the likelihood that the ECB will commence quantitative easing (purchase of EZ government debt) in early 2015. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in later times, when we will not be able to avoid new borrowing to finance new capital expenditure and to refinance maturing debt.

There will remain a cost of carry to any new borrowing which causes an increase in investments as this will incur a revenue loss between borrowing costs and investment returns

A detailed view of the Econcomic forecast is set out at Appendix 2.

3.4 **Borrowing Strategy**

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

There is an underlying need to borrow in the future to support capital expenditure and new external borrowing will be required by the end of this year. Rates are currently being monitored and new borrowing will be taken when the rates are advantageous either as long term debt or temporary borrowing. Against the current econcomic background and the risks within the economic forecast, caution will be adopted with the 2015/16 treasury operations. The Chief Finance Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.

The Council will maintain a balanced, affordable and sustainable maturity profile as set out below and all new borrowing will be undertaken in line with this policy.

3.5 Treasury Management Limits on Activity

There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates.

The Council is asked to approve the following treasury indicators and limits:

	2015/16	2016/17	2017/18
Interest rate Exposures			
	Upper	**Upper**	**Upper**
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	25%	25%	25%
Maturity Structure of fixed interest rate borrowing 2015/16			
		Lower	**Upper**
Under 12 months		0%	25%
12 months to 2 years		0%	50%
2 years to 5 years		0%	75%
5 years to 10 years		0%	100%
10 years and above		0%	100%

3.6 Policy on Borrowing in Advance of Need

The Council will not borrow more than, or in advance of, its needs, purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance of activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

3.7 Debt Rescheduling

As short term borrowing rates are currently considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt.

Debt scheduling will only be considered under the following circumstances:

- the generation of cash savings and /or discounted cash flow produce sufficent savings to cover the costs;
- it helps to fulfil the treasury strategy; and
- the balance of the portfolio (amend the maturity profile and/or the balance of volatility) is maintained.

Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

All rescheduling will be reported to Cabinet, at the earliest meeting following its action.

3.8 **Municipal Bond Agency**

It is likely that the Municipal Bond Agency, currently in the process of being set up, will be offering loans to local authorities in the near future. It is also hoped that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). This Authority intends to make use of this new source of borrowing as and when appropriate.

3.9 **ANNUAL INVESTMENT STRATEGY**

3.9.1 **Investment Policy**

The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment main priorities will be security first, liquidity second, then return.

After this main principle the Council will ensure:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the Specified and Non-Specified investment at appendix 3 and
- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

3.9.2 **Creditworthiness Policy**

In order to minimise the risk to investments, the Council has clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list as set out in at Appendix 4 . The aim is to generate a list of highly creditworthy counterparties which will also enable diversification and thus avoidance of concentration risk.

Credit rating information is supplied by Capita, the Council's treasury consultants, on all active counterparties that comply with the criteria at Appendix 4. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing.

The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AAA from Fitch, as well as UK, which is currently rated AA+.

The Chief Finance Officer will maintain a counterparty list in compliance with the criteria set out in Appendix 4 and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either Specified or Non-Specified as it provides an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

The Local Authority Mortgage Scheme (LAMS) –

The Council is particpating in the cash backed mortgage scheme which requires the Council to place a matching five year deposit to the life of the indemnity. This investment is an integral part of the policy initiative and is outside the criteria above.

Time and monetary limits applying to investments.

The time and monetary limits for institutions on the Council's counterparty list are as follows (these will cover both Specified and Non-Specified Investments):

	Money Limit	Time Limit
Banks 1 category high quality	£5.0m	1 yr
Banks 2 category – part nationalised	£5.0m	1 yr
Limit 3 category – Council's banker (not meeting Banks 1)	£10.0m	1 day
Other institutions limit	£5.0m	1 yr
DMADF	Unlimited	6 months
Local authorities	£5.0m	1 yr
Money market Funds	£10.0m	Liquid

The proposed criteria for Specified and Non-Specified investments are shown in Appendix 3 for approval.

3.9.3 **Investment Strategy**

Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

3.9.4 **Investment returns expectations.** Bank Rate is forecast to remain unchanged at 0.5% before starting to rise from quarter 4 of 2015. Bank Rate forecasts for financial year ends (March) are:

- 2015/ 2016 0.75%
- 2016/2017 1.25%
- 2017/2018 2.00%

There are downside risks to these forecasts (i.e. start of increases in Bank Rate occurs later) if economic growth weakens. However, should the pace of growth quicken, there could be an upside risk.

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

2015/16	0.60%
2016/17	1.25%
2017/18	1.75%

3.9.5 **Investment treasury indicator and limit** - Total principal funds invested for greater than 364 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

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

Maximum principal sums invested > 364 days			
£m	**2015/16**	**2016/17**	**2017/18**
Principal sums invested > 364 days	£2.0m	£2.0m	£2.0m

For its cash flow generated balances, the Council will seek to utilise its business reserve accounts and short-dated deposits (overnight to three months) in order to benefit from the compounding of interest.

3.9.6 **End of year investment report**

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

3.10 **Policy on the use of external service providers**

The Council uses Capita as its external treasury management advisors. The Council recognises that responsibility for treasury management decisions remains with the organisation at all times.

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

4.0 Resource Implications

All implications have been factored into the 2015/16 budget setting process.

Alan Osborne
Chief Finance Officer

Background Papers:

The Background Papers used in compiling this report were as follows:

CIPFA Treasury Management in the Public Services code of Practice (the Code)
Cross-sectorial Guidance Notes
CIPFA Prudential Code
Treasury Management Strategy and Treasury Management Practices adopted by the Council on 18 May 2010.
Council Budget 4 February 2015
Finance Matters and Performance Monitoring Reports 2014.

To inspect or obtain copies of background papers please refer to the contact officer listed above.

APPENDIX 1 Interest rate Forecast 2015/18

Capita Asset Services Interest Rate View													
	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
Bank Rate View	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.75%	1.75%	2.00%
3 Month LIBID	0.50%	0.50%	0.60%	0.80%	0.90%	1.10%	1.10%	1.30%	1.40%	1.50%	1.80%	1.90%	2.10%
6 Month LIBID	0.70%	0.70%	0.80%	1.00%	1.10%	1.20%	1.30%	1.50%	1.60%	1.70%	2.00%	2.10%	2.30%
12 Month LIBID	0.90%	1.00%	1.10%	1.30%	1.40%	1.50%	1.60%	1.80%	1.90%	2.00%	2.30%	2.40%	2.60%
5yr PWLB Rate	2.20%	2.20%	2.30%	2.50%	2.60%	2.80%	2.90%	3.00%	3.20%	3.30%	3.40%	3.50%	3.60%
10yr PWLB Rate	2.80%	2.80%	3.00%	3.20%	3.30%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.20%
25yr PWLB Rate	3.40%	3.50%	3.70%	3.80%	4.00%	4.20%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%
50yr PWLB Rate	3.40%	3.50%	3.70%	3.80%	4.00%	4.20%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%
Bank Rate													
Capita Asset Services	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.75%	1.75%	2.00%
Capital Economics	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	-	-	-	-	-
5yr PWLB Rate													
Capita Asset Services	2.20%	2.20%	2.30%	2.50%	2.60%	2.80%	2.90%	3.00%	3.20%	3.30%	3.40%	3.50%	3.60%
Capital Economics	2.20%	2.50%	2.70%	3.00%	3.10%	3.20%	3.30%	3.40%	-	-	-	-	-
10yr PWLB Rate													
Capita Asset Services	2.80%	2.80%	3.00%	3.20%	3.30%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.20%
Capital Economics	2.80%	3.05%	3.30%	3.55%	3.60%	3.65%	3.70%	3.80%	-	-	-	-	-
25yr PWLB Rate													
Capita Asset Services	3.40%	3.50%	3.70%	3.80%	4.00%	4.20%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%
Capital Economics	3.25%	3.45%	3.65%	3.85%	3.95%	4.05%	4.15%	4.25%	-	-	-	-	-
50yr PWLB Rate													
Capita Asset Services	3.40%	3.50%	3.70%	3.80%	4.00%	4.20%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%
Capital Economics	3.30%	3.50%	3.70%	3.90%	4.00%	4.10%	4.20%	4.30%	-	-	-	-	-

Please note – The current PWLB rates and forecast shown above have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012

Please note – The current PWLB rates and forecast shown above have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012

APPENDIX 2 Economic Background

UK. After strong UK GDP growth in 2013 at an annual rate of 2.7%, and then in 2014 0.7% in Q1, 0.9% in Q2 2014 (annual rate 3.2% in Q2), Q3 has seen growth fall back to 0.7% in the quarter and to an annual rate of 2.6%. It therefore appears that growth has eased since the surge in the first half of 2014 leading to a downward revision of forecasts for 2015 and 2016, albeit that growth will still remain strong by UK standards. For this recovery to become more balanced and sustainable in the longer term, the recovery needs to move away from dependence on consumer expenditure and the housing market to exporting, and particularly of manufactured goods, both of which need to substantially improve on their recent lacklustre performance. This overall strong growth has resulted in unemployment falling much faster than expected. The MPC is now focusing on how quickly slack in the economy is being used up. It is also particularly concerned that the squeeze on the disposable incomes of consumers should be reversed by wage inflation rising back significantly above the level of inflation in order to ensure that the recovery will be sustainable. There also needs to be a major improvement in labour productivity, which has languished at dismal levels since 2008, to support increases in pay rates. Unemployment is expected to keep on its downward trend and this is likely to eventually feed through into a return to significant increases in wage growth at some point during the next three years. However, just how much those future increases in pay rates will counteract the depressive effect of increases in Bank Rate on consumer confidence, the rate of growth in consumer expenditure and the buoyancy of the housing market, are areas that will need to be kept under regular review.

Also encouraging has been the sharp fall in inflation (CPI), reaching 1.0% in November 2014, the lowest rate since September 2002. Forward indications are that inflation is likely to remain around or under 1% for the best part of a year. The return to strong growth has helped lower forecasts for the increase in Government debt over the last year but monthly public sector deficit figures during 2014 have disappointed until November. The autumn statement, therefore, had to revise the speed with which the deficit is forecast to be eliminated.

Eurozone (EZ). The Eurozone is facing an increasing threat from weak or negative growth and from deflation. In November 2014, the inflation rate fell further, to reach a low of 0.3%. However, this is an average for all EZ countries and includes some countries with negative rates of inflation. Accordingly, the ECB took some rather limited action in June and September 2014 to loosen monetary policy in order to promote growth. It now appears likely that the ECB will embark on full quantitative easing (purchase of EZ country sovereign debt) in early 2015.

Concern in financial markets for the Eurozone subsided considerably after the prolonged crisis during 2011-2013. However, sovereign debt difficulties have not gone away and major issues could return in respect of any countries that do not dynamically address fundamental issues of low growth, international competitiveness and the need for overdue reforms of the economy, (as Ireland has done). It is, therefore, possible over the next few years that levels of government debt to GDP ratios could continue to rise for some countries. This could mean that sovereign debt concerns have not disappeared but, rather, have only been postponed. The ECB's pledge in 2012 to buy unlimited amounts of bonds of countries which ask for a bailout has provided heavily indebted countries with a strong defence against market forces. This has bought them time to make progress with their economies to return to growth or to reduce the degree of recession. However, debt to GDP ratios (2013 figures) of Greece 180%, Italy 133%, Portugal 129%, Ireland 124% and Cyprus 112%, remain a cause of concern, especially as some of these countries are experiencing continuing rates of increase in debt in excess of their rate of economic growth i.e. these debt ratios are likely to continue to deteriorate. Any sharp downturn in economic growth would make these countries particularly vulnerable to a new bout of sovereign debt crisis. It should also be noted that Italy has the third biggest debt mountain in the world behind Japan and the US.

Greece: the general election due to take place on 25 January 2015 is likely to bring a political party to power which is anti EU and anti austerity. However, if this eventually results in Greece leaving the Euro, it is unlikely that this will directly destabilise the Eurozone as the EU has put in place adequate firewalls to contain the immediate fallout to just Greece. However, the indirect effects of the likely strengthening of anti EU and anti austerity political parties throughout the EU is much more difficult to quantify. There are particular concerns as to whether democratically elected governments will lose the support of electorates suffering under EZ imposed austerity programmes, especially in countries which have high unemployment rates. There are also major concerns as to whether the governments of France and Italy will effectively implement austerity programmes and undertake overdue reforms to improve national competitiveness. These countries already have political parties with major electoral support for anti EU and anti austerity policies. Any loss of market confidence in either of the two largest Eurozone economies after Germany would present a huge challenge to the resources of the ECB to defend their debt.

USA. The U.S. Federal Reserve ended its monthly asset purchases in October 2014. GDP growth rates (annualised) for Q2 and Q3 of 4.6% and 5.0% have been stunning and hold great promise for strong growth going forward. It is therefore confidently forecast that the first increase in the Fed. rate will occur by the middle of 2015.

China. Government action in 2014 to stimulate the economy appeared to be putting the target of 7.5% growth within achievable reach but recent data has indicated a marginally lower outturn for 2014, which would be the lowest rate of growth for many years. There are also concerns that the Chinese leadership has only started to address an unbalanced economy which is heavily over dependent on new investment expenditure, and for a potential bubble in the property sector to burst, as it did in Japan in the 1990s, with its consequent impact on the financial health of the banking sector. There are also concerns around the potential size, and dubious creditworthiness, of some bank lending to local government organisations and major corporates. This primarily occurred during the government promoted expansion of credit, which was aimed at protecting the overall rate of growth in the economy after the Lehmans crisis.

Japan. Japan is causing considerable concern as the increase in sales tax in April 2014 has suppressed consumer expenditure and growth to the extent that it has slipped back into recession in Q2 and Q3. The Japanese government already has the highest debt to GDP ratio in the world.

CAPITA ASSET SERVICES FORWARD VIEW

Economic forecasting remains difficult with so many external influences weighing on the UK. Our Bank Rate forecasts, (and also MPC decisions), will be liable to further amendment depending on how economic data transpires over 2015. Forecasts for average earnings beyond the three year time horizon will be heavily dependent on economic and political developments. Major volatility in bond yields is likely to endure as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, or the safe haven of bonds.

The overall longer run trend is for gilt yields and PWLB rates to rise, due to the high volume of gilt issuance in the UK, and of bond issuance in other major western countries. Increasing investor confidence in eventual world economic recovery is also likely to compound this effect as recovery will encourage investors to switch from bonds to equities.

The overall balance of risks to economic recovery in the UK is currently evenly balanced. Only time will tell just how long this current period of strong economic growth will last; it also remains exposed to vulnerabilities in a number of key areas.

The interest rate forecasts in this report are based on an initial assumption that there will not be a major resurgence of the EZ debt crisis. There is an increased risk that Greece could end up leaving the Euro but if this happens, the EZ now has sufficient fire walls in place that a Greek exit would have little immediate direct impact on the rest of the EZ and the Euro. It is therefore expected that there will be an overall managed, albeit painful and tortuous, resolution of any EZ debt crisis that may occur where EZ institutions and governments eventually do what is necessary - but only when all else has been tried and failed. Under this assumed scenario, growth within the EZ will be weak at best for the next couple of years with some EZ countries experiencing low or negative growth, which will, over that time period, see an increase in total government debt to GDP ratios. There is a significant danger that these ratios could rise to the point where markets lose confidence in the financial viability of one, or more, countries, especially if growth disappoints and / or efforts to reduce government deficits fail to deliver the necessary reductions. However, it is impossible to forecast whether any individual country will lose such confidence, or when, and so precipitate a sharp resurgence of the EZ debt crisis. While the ECB has adequate resources to manage a debt crisis in a small EZ country, if one, or more, of the larger countries were to experience a major crisis of market confidence, this would present a serious challenge to the ECB and to EZ politicians.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Geopolitical risks in Eastern Europe, the Middle East and Asia, increasing safe haven flows.
- UK strong economic growth is weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU, US and China.
- A resurgence of the Eurozone sovereign debt crisis.
- Recapitalisation of European banks requiring more government financial support.
- Monetary policy action failing to stimulate sustainable growth and to combat the threat of deflation in western economies, especially the Eurozone and Japan.

The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- An adverse reaction by financial markets to the result of the UK general election in May 2015 and the economic and debt management policies adopted by the new government
- ECB either failing to carry through on recent statements that it will soon start quantitative easing (purchase of government debt) or severely disappointing financial markets with embarking on only a token programme of minimal purchases which are unlikely to have much impact, if any, on stimulating growth in the EZ.
- The commencement by the US Federal Reserve of increases in the central rate in 2015 causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities, leading to a sudden flight from bonds to equities.
- A surge in investor confidence that a return to robust world economic growth is imminent, causing a flow of funds out of bonds into equities.
- UK inflation returning to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

APPENDIX 3 - Specified and Non-Specified Investments and Limits

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

	*** Minimum 'High' Credit Criteria**
Debt Management Agency Deposit Facility	--
Term deposits – local authorities	--
Term deposits – banks and building societies (See appendix 5 for approved Counties)	Green - See note below
Collateralised deposit	UK sovereign rating
Certificates of deposit issued by banks and building societies covered by UK Government (explicit) guarantee	UK sovereign rating
Certificates of deposit issued by banks and building societies covered by UK Government (explicit) guarantee	UK sovereign rating
UK Government Gilts	UK sovereign rating
Bonds issued by multilateral development banks	AAA
Bond issuance issued by a financial institution which is explicitly guaranteed by the UK Government (refers solely to GEFCO – Guaranteed Export Finance Corporation)	UK sovereign rating
Sovereign bond issues (other than the UK govt)	AAA
Treasury Bills	UK sovereign rating

Term deposits with nationalised banks and banks and building societies

	Minimum Credit Criteria	**Max % of total investments**	**Max. maturity period**
UK part nationalised banks	Blue - See note below	£5.0m	1 year

Eastbourne Borough Council uses Capita's credit worthiness service which overlays colour bandings to determine the maximum length of any investment. See Appendix 4 for further detail.

Accounting treatment of investments. The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

NON-SPECIFIED INVESTMENTS: These are any investments which do not meet the Specified Investment criteria. A maximum of 25% will be held in aggregate in non-specified investment.

Maturities in excess of 1 year

	Minimum Credit Criteria	Max % of total investments	Max. maturity period
Term deposits – local authorities	--	£2m with any institution	2 years
Term deposits – banks and building societies	Green	£2m with any institution	2 years
Certificates of deposit issued by banks and building societies covered by UK Government (explicit) guarantee	UK sovereign rating	£2m with any institution	2 years
Certificates of deposit issued by banks and building societies	Green	£2m with any institution	2 years
UK Government Gilts	UK sovereign rating	£2m with any institution	2 years
Bonds issued by multilateral development banks	AAA	£2m with any institution	2 years
Sovereign bond issues (other than the UK govt)	AAA	£2m with any institution	2 years
Collective Investment Schemes structured as Open Ended Investment Companies (OEICs)			
1. Bond Funds	Long-term AA- volatility rating	£2m with any institution	2 years
2. Gilt Funds	Long-term AA- volatility rating	£2m with any institution	2 years

Local Authority Mortgage Scheme.
Under this scheme the Council is required to place funds of £1,000,000, with the Lender for a period of 5 years. This is classified as being a service investment, rather than a treasury management investment, and is therefore outside of the specified / non specified categories.

APPENDIX 4 – Creditworthiness Policy

This Council applies the creditworthiness service provided by Capita. This service employs a sophisticated modelling approach utlilising credit ratings from the three main credit rating agencies - Fitch, Moodys and Standard and Poors. The credit ratings of counterparties are supplemented with the following overlays:

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

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the duration for investments. The Council will therefore use counterparties within the following durational bands:

- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 3 months
- No Colour not to be used.

This methodology does not apply the approach suggested by CIPFA of using the lowest rating from all three rating agencies to determine creditworthy counterparties. The Capita creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

Typically the minimum credit ratings criteria the Council use will be a short term rating (Fitch or equivalents) of Short Term rating F1, Long Term rating A-, Individual of Viability ratings of C- (or BB+), and a Support rating of 3. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored weekly. The Council is alerted to changes to ratings of all three agencies through its use of the Capita creditworthiness service. If a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately. In addition to the use of credit ratings the Council will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on government support for banks and the credit ratings of that government support

BODY: **CABINET**

DATE: **4 February 2015**

SUBJECT: **HRA Revenue Budget and Rent Setting 2015/16 and HRA Capital Programme 2014/17**

REPORT OF: **Senior Head of Community and Chief Finance Officer**

Ward(s): All

Purpose: To agree the detailed HRA budget proposals, rent levels, service charges and heating costs for 2015/16, and the HRA Capital Programme 2014/17.

Contact: Pauline Adams, Financial Services Manager
Tel 01323 415979 or internally on ext 5979

Recommendations: Members are asked to recommend the following proposals to full Council:

i) The HRA budget for 2015/16 and revised 2014/15 as set out in **Appendix 1.**

ii) That rents are set in line with the rent convergence target of 2016 set by Government resulting in an average increase of 2.28%.

iii) That service charges for general needs properties are increased by 2.31%,

iv) That the service charges for the Older Persons Sheltered Accommodation currently available for let are increased by 2.57%.

v) That heating costs are set at a level designed to recover the estimated actual cost.

vi) That water charges are set at a level designed to recover the estimated cost of metered consumption.

vii) That garage rents are set to increase by 2.28% in line with the average increase in housing rent.

viii) To give delegated authority to the Chief Executive, in consultation with the Cabinet Portfolio holders for Community Services and Financial Services and the Financial Services Manager to finalise Eastbourne Homes' Management Fee and Delivery Plan.

ix) The HRA Capital Programme as set out in **Appendix 3.**

1.0 Introduction

1.1 As from the 1 April 2012 the way that council social housing is financed was changed and the HRA became self financing. This means that expenditure has to be entirely supported from rental and other income. The main tool for the future financial management of the HRA is the 30 year Business Plan which was approved by Cabinet on 8 February 2012.

1.2 The introduction of HRA self financing does not end the requirement to maintain a statutory ring fenced HRA and the council is still required to maintain a separate account for the income and expenditure on council housing.

1.3 This report reflects the recommendations made by Eastbourne Homes in relation to the increases in rent levels, service and other charges.

2.0 2015/16 HRA Revenue Budget

2.1 The 2015/16 budget has been prepared following the principles adopted within the HRA 30 year Business Plan and is attached at **Appendix 1**.

2.2 The 2015/16 budget is showing a surplus of (£296,130) which is due to a number of favourable factors as listed below.

2.3 The major changes between the 2014/15 and the 2015/16 budgets are:

Income increases and expenditure reductions:

- Effect of rent and service charge review -£390,000
- Change in requirement for Revenue Contribution to Capital -£393,300
- Reduction in contribution towards HEDP team - £50,000
- Effect of borrowing at lower than anticipated interest rates - £60,350

Increase in Expenditure and income reductions:

- Additional funding to met pressure on revenue repairs and voids budget - £520,000
- Depreciation, in line with Business Plan to cover the future requirements of the Asset Management Plan £104,300
- Contribution to Housing Regeneration Reserve £284,000

2.4 The HRA budget is performance better than expected in the 30 year business plan due to various initiatives to control expenditure, including a reduction in the management fee payable to EHL since the start of the plan and a lower than anticipated interest rates. At the same time income earnings from rents and service charges have remind on target. This allows some scope for some spending to be realigned, as set out in the paragraphs below.

2.5 EHL is currently experiencing pressure on the maintenance budget requirement for revenue repairs and void properties and it therefore proposed to increase the Management Fee by £520,000 to deal with this and help met customers' expectations.

2.5 The 30 year business plan forecast a budget surplus of £784,000 for 2015/16 which was to be set aside in reserves to met future major works demands. It is proposed to transfer this sum into the Housing Regeneration Reserve.

2.5 The Business Plan allowed for a revenue contribution to support capital expenditure for the three years 2013/14 to 2015/16 based on the asset management spending requirement peaking over these years in excess of the balance on the Major Repairs Reserve (MRR), until decreasing again by year five of the business plan. After this time surpluses begin to accumulate in the MRR as the cash backed depreciation allowance of £4m per year should start to exceed the capital spending requirements.

2.6 The HRA debt outstanding at 31.3.14 was £37.5m rising to £43.4m by 31.3.17 the majority of which will be external debt and at fixed interest rates. The increase in borrowing of £5.9m is expected to be undertaken to support the HEDP programme. The additional interest payable from this borrowing will be funded from the additional rental as the properties are let. The Council's treasury management advisors are predicting that the currently low levels of interest rates will continue into 2015/16 and the interest budget has been prepared on this basis.

2.7 Under the self financing settlement the government set a cap on total HRA borrowing of £42.96m .The 30year Business Plan assumes from 16/17 to 28/29 that an average debt repayment of £2.8m per annum is funded from the HRA Revenue Account. This will either be used to fund the repayment of debt or be used to reinvest in housing properties in lieu of new borrowing.

2.8 The HRA outturn for 2014/15 is expected to deliver a (£411,800) surplus, a positive variance of (£104,100) over the original budget (0.69% of gross expenditure). This is mainly as a result of the decrease in the amount required to be paid in council tax on void properties (£87k) and saving on the new insurance contract (21K).

2.9 The HRA Business Plan is based on a policy for a minimum level of HRA balance of £1m to maintain a prudent level of reserve to ensure that the HRA remains sustainable in the longer term and is able to deal with any risks posed by the current economic climate.

The Balances on the HRA and Reserves are as follows:

	HRA £'000	MRR £'000	Housing Regeneration & Investment Reserve £'000
Balance at 1.4.14	2,704	305	830
Surplus/(Deficit)	412		
Revenue Contribution			500
Depreciation		4,106	
Major Works expenditure		-4,411	-1,330
Estimated Balance 31.3.15	3,116	0	0
Surplus/(Deficit)	296		
Revenue Contribution			784
Depreciation		4,211	

Major Works expenditure		-4,211	
Estimated Balance 31.3.16	3,412	0	784

These are within the HRA strategy and policy expectation of the Business Plan.

3.0 Rent Levels for 2014/15

3.1 The Council has been following the Government's guidance for rents for social housing since December 2001. Under the HRA self-financing settlement the government has assumed that rent convergence is achieved in 2015/16.

3.2 In May 2014, the Government issued new guidance setting out its policy on rents for social housing from April 2015.

3.3 The new guidance simplifies the approach to setting the rent for each property. The Government recognises that some properties will not have reached their formula rent by April 2015 and recommends that rent only moves up to formula rent where the property is re-let following vacancy. Although most of our properties have reached convergence, the number of properties that still need to reach convergence will reach convergence at a slower rate.

3.4 Although, the Government expects authorities to comply with the new guidance, it is not compulsory. Previously, setting rents above government convergence limits was discouraged by the 'rent rebate subsidy limitation' rule which made the HRA liable for the additional Housing Benefit payments generated by excess rents. Following the move to self financing, the 'limits' rule is no longer relevant to local authorities.

3.5 The key element of the new Government guidance is index linking of rent increase:

Current approach: September RPI + 0.5% For 2015/16 this is 2.80%
New guidance: September CPI + 1.0% For 2015/16 this is 2.20%

In order to reduce the number of properties trying to reach their formula rent, members are asked to recommend that council rents are set at a higher level with an average increase of 2.28%.

3.6 This is slightly higher than the rent increase would be if it purely followed the Government guidance for social housing rents but this higher increase would mean that convergence to formula rent is greatly increased this year leaving 5.87% of housing rents outstanding to converge.

3.7 This also means that due to the high increases in rent over the past few years (following the RPI plus 0.5% formula set by government), tenants will be expecting an average increase of around 4-5% and not an increase of lower than 3%.

3.8 Although the accelerated convergence proposed shows more of a weekly increase to 896 tenants, it does not suggest an increase over £3.00 per week to any of our tenants keeping the increase at an affordable level as shown in the profiling tables at **Appendix 2**

3.9 The proposed increase being recommended by neighbouring authorities are as follows:

Neighbouring Authority	Rent Increase
Eastbourne	2.28%
Wealden District Council	3.70%
Lewes District Council	
Brighton & Hove City Council	2.20%

4.0 Service Charges

4.1 For properties in shared blocks these charges cover common services such as communal heating, lighting, equipment maintenance contracts, cleaning and grounds maintenance. In Older Persons Sheltered Accommodation the charges additionally include On-Site Co-ordinators, Lifeline services, lift maintenance contracts, communal furniture and carpets maintenance and internal re-decorations. These costs should be charged separately from the rent in those properties to which they apply.

4.2 The HRA Business Plan assumes that service costs are fully recovered through service charges and are not included in rents. This principle has been applied for 2015/16.

4.3 For general needs properties in blocks the average service charge increase is 2.31%. For Older Persons Sheltered Accommodation the average service charge increase is 2.57%. This is lower than the increase last year because of the savings realised on the non-renewal of the Invicta alarms contract and lower increases for gas and electricity.

5.0 Heating costs - Older Persons Sheltered Accommodation

5.1 These charges are set in line with known price increases experienced in 2014 and predicted future costs. For 2015/16, it is recommended that the average charge increase is 1.92%. This is an average increase of 13p per week for tenants that pay these charges.

6.0 Water Charges

6.1 These charges are set in line with meters being fitted to all of the retirement courts. For 2015/16, it is recommended that the average charge increase is 0.93%. This is an average increase of 27p per week for tenants that pay these charges.

7.0 Garage Rents

7.1 Following the previous year's rent increases, garage void debt has decreased, garage void repair times have decreased and the number of hard to let garages has decreased from the start of the 2014/15 year.

7.2 There are still a minority of garages that require major works and the recommended increase will enable the future funding of works that are still required.

7.3 It is therefore recommended that Garage rents are increased in line with the average increase in housing rents of 2.28%. This will provide EBC with a budget for further major repairs (should they be needed) but limit the increase in rent for garage tenants.

8.0 HRA Capital Programme 2015/16 to 2017/18

8.1 The Capital Programme as set out in **Appendix 3** has been prepared to meet the Council's strategies, as adjusted to reflect the availability of resources. Total budgeted expenditure for 2015/16 is £9,668,512.

8.2 The major works element of the programme is in line with the asset management plan and the self financing business plan model. Funding is is from the Major Repairs Reserve.

8.4 Cabinet has agreed a total budget of £12.1m for the Housing and Economic Development Programme out of the total allowance of £20m This has now been profiled to reflect the expected spending timetable and will be funded from borrowing and HCA grant.

9.0 Eastbourne Homes Management Fee

9.1 The Management Fee covers both Operational and Administration costs as well as cyclical maintenance.

9.2 The proposed Base Management Fee is recommended to remain at the 14/15 level of £6,714,000, however an additional £520,000 has been proposed (as per para 2.5) to meet the current pressure on the maintenance budget.

The fee of £140,000 to support the work of the HEDP team has also been amalgamated into the Management Fee. This was previously shown within the budget under Supervision and Management and has been reduced by £50,000 from 2014/15.

The total proposed fee for 2015/16 is £7,375,000.

9.3 To formally agree the management fee Members are asked to delegate this responsibility to the Chief Executive, in consultation with the Cabinet Portfolio Holders for Community Services and Financial Services and the Financial Services Manager.

10.0 Consultation

10.1 Rent increases are subject to the new government guidance on rent convergence. In May 2014, the Council adopted a policy of achieving convergence by 2025. Additional consultation was carried out through a meeting of the Eastbourne Homes' Residents Scrutiny Panel.

10.2 The Council is obliged to ensure that all tenants are given 28 days notice of any changes to their tenancy including changes to the rent they pay.

11.0 Implications

11.1 Financial and Human Resources

The council has taken a pro-active approach to the implementation of the rent convergence policy. There are no staffing implications arising out of this report.

11.2 Environmental

Eastbourne Homes is committed to delivering energy efficiency improvements in its maintenance and modernisation programme to help reduce heating costs in all homes.

11.3 Economic

Eastbourne Homes will make every effort to identify tenants who may face additional financial hardship as a result of rent or service charge increases in order to offer appropriate support and advice.

Anti-poverty activity by Eastbourne Homes takes place routinely throughout the year to maximise household income. This includes advice on benefits and arrears management. This targeted use of resources assists greatly in ensuring housing remains affordable.

12.0 Conclusions

12.1 The HRA Revenue Budget has been produced based on the policies set out in the HRA 30 year Business Plan and is showing an overall surplus of £296k for 2015/16. This is mainly due to a number of favourable factors including the rent and service charge review, savings from Treasury Management activities on borrowing, and changes to capital financing requirement which has allowed for additional funding to be included for revenue repairs and maintenance.

12.2 The rent levels have been prepared in accordance with the council's rent convergence policy and the self financing business plan assumptions. The average increase is 2.8%.

12.3 Service charges, heating and water charges are fixed weekly amounts set at a level to recover the expected actual cost to be incurred for the respective properties in the forthcoming year.

12.6 Garage rents are recommended to increase in line with the average increase in housing rents 2.8%.

12.6 Total budgeted expenditure on the HRA Capital Programme is planned at £9,668,512 for 2015/16, £5,735,714 for 2016/17 and £4,400,000 for 2017/18. The major works element of the programme is in line with the asset management plan and the HRA business plan model.

Pauline Adams
Financial Services Manager

Background Papers:

The Background Papers used in compiling this report were as follows:

HRA 2015/16 Budget working papers held by Eastbourne Council and Eastbourne Homes Ltd.
HRA Self Financing 30 year Business Plan.

To inspect or obtain copies of background papers please refer to the contact officer listed above.

HOUSING REVENUE ACCOUNT

2014-15 Original Budget £' 000	2014-15 Revised Budget £'000		2015-16 BUDGET £' 000	
		INCOME		
(14,439)	(14,324)	Gross Rents	(14,710)	
(918)	(997)	Charges for Services	(1,037)	
(15,357)	(15,321)	**GROSS INCOME**		(15,747)
		EXPENDITURE		
6,714	7,094	Management Fee	7,375	
1,255	735	Supervision and Management	1,060	
126	126	Provision for Doubtful Debts	126	
4,107	4,107	Depreciation and Impairmant of Fixed Assets	4,212	
393	393	Revenue Contributions to Capital Outlay	0	
12,595	12,455	**GROSS EXPENDITURE**		12,773
(2,762)	(2,866)	**NET COST OF SERVICES**		(2,974)
1,956	1,956	Loan Charges - Interest		1,896
(2)	(2)	Interest Receivable		(2)
(808)	(912)	**NET OPERATING SURPLUS**		(1,080)
500	500	Transfer to Reserves		784
(308)	(412)	**HOUSING REVENUE ACCOUNT (SURPLUS) / DEFICIT**		(296)
		HOUSING REVENUE ACCOUNT WORKING BALANCE		
(2,507)	(2,704)	In Hand at 1st April		(3,116)
(308)	(412)	Transfer (To)/ From Working Balance		(296)
(2,815)	(3,116)	In Hand at 31st March		(3,412)

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RENT PROFILE 1516 - Government guidelines

Number of properties included in the Rent Increase 2015/16 3,477

Average Rent Increase Percentage 2.16% Amount £1.68

Breakdown of Average Rent Increase

Percentage of Average Rent Increase		No. of properties	Percentage of properties receiving this increase	Amount of increase	No. of properties	Percentage of properties receiving this increase
up to 3%		3,477	100%	<£2	3,405	98%
between 3%-5%		-	0.0%	£2-£3	72	2.1%
between 5%-7%		-	0.0%	£3-£4	-	0%
Above 7%		-	0.0%	>£4	-	0%
	Total	3,477	100.0%	Total	3,477	100%

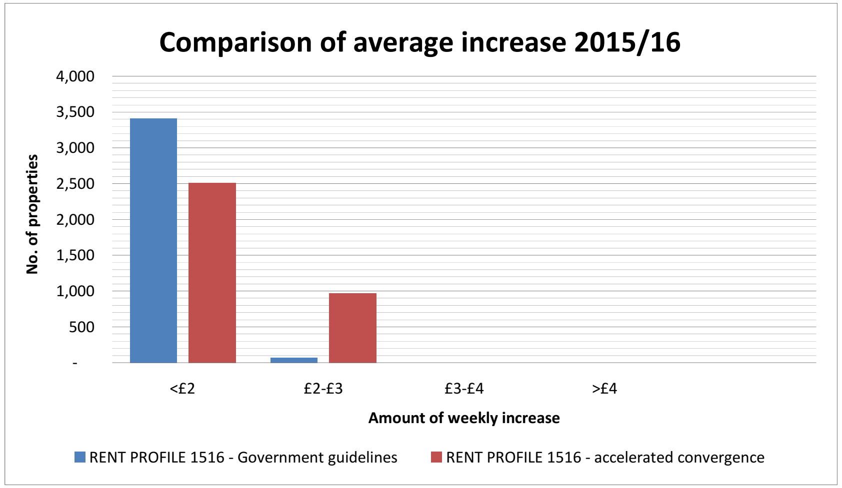
RENT PROFILE 1516 - accelerated convergence

Number of properties included in the Rent Increase 2015/16 3,477

Average Rent Increase Percentage 2.28% Amount £1.77

Breakdown of Average Rent Increase

Percentage of Average Rent Increase		No. of prop	Percentage of properties receiving this increase		Amount of increase	No. of pro	Percentage of properties receiving this increase
up to 3%		3,445	99.1%		<£2	2,509	72%
between 3%-5%		32	0.9%		£2-£3	968	27.8%
between 5%-7%		-	0.0%		£3-£4	-	0%
Above 7%		-	0.0%		>£4	-	0%
	Total	3,477	100.0%		Total	3,477	100%



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HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME 2014/15 - 2017/18					
Scheme	**Approved Budget 2014/15**	**Revised Budget 2014/15**	**2015/16**	**2016/17**	**2017/18**
Managed By Eastbourne Homes					
Decent Homes Works	-		-	-	-
Sheltered Remodelling	1,782,000	1,866,000	-	-	-
Major Works	3,183,000	3,915,100	3,766,000	3,703,000	4,320,000
Adaptations	412,000	412,000	412,000	412,000	
Environmental Improvements	80,000	96,900	80,000	80,000	80,000
	5,457,000	**6,290,000**	**4,258,000**	**4,195,000**	**4,400,000**
LA New Build 2013-15	2,930,000	-	-	-	-
Supporting Housing & Economic Progress Initiative (SHEP)	1,109,000	-	-	-	-
46 Upperton Gardens	200,000	20,000	-	-	-
Homelessness Change Programme	75,000	-	-	-	-
House Rescue Emergency Fund		-	200,000		
Willowfield Sq		-	-	-	-
Empty Homes Programme Ph1					
67-69 Seaside Road		344,549	-	-	-
51-53 Seaside		67,740	-	-	-
19a Dallington Road		11,510	-	-	-
67 Langney Road		130,515	-	-	-
1 Glynde Avenue		670,308	-	-	-
1-4 Arch Mews		601,150	-	-	-
New Build					
Coventry Court		2,266,485	873,704	-	-
Belmore & Longstone Road		520,252	692,683	-	-
Tenterden Close		155,751	346,342	-	-
NAHP Programme					
Sumach Close		-	400,000	1,075,253	-
Glynde		-	472,000	-	-
Glynde Ave Bungalow		-	98,988	-	-
Rodmill		-	100,000	465,461	-
Fort Lane		66,155	362,095	-	-
Swan Laundry		-	320,000	-	-
Empty Homes Programme Ph2		-	1,544,700	-	-
1-5 Seaside		-	-	-	-
3 St Aubyns Road		357,500	-	-	-
41 Kirksdale Close		90,000	-	-	-
62a Tideswell Road		145,000	-	-	-
Total HRA Capital Programme	**9,771,000**	**11,736,915**	**9,668,512**	**5,735,714**	**4,400,000**
Funded by:					
Borrowing	1,109,000	3,058,458	2,403,359	465,461	-
Government Grant	-	588,112	600,600	207,500	-
Capital Receipts inc. RTB	2,406,770	1,003,461	2,406,553	867,753	-
Major Repairs Reserve	3,633,320	4,466,320	4,106,970	4,195,000	4,400,000
S106 Contributions	798,230	796,884	-	-	-
Revenue contributions from HRA	393,280	393,280	-	-	-
Reserves	1,430,400	1,430,400	151,030	-	-
Total Financing	**9,771,000**	**11,736,915**	**9,668,512**	**5,735,714**	**4,400,000**

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BODY: **CABINET**

DATE: **4th February 2015**

SUBJECT: **Adoption of the Eastbourne Community Infrastructure Levy (CIL) – Charging Schedule**

REPORT OF: **Senior Head of Regeneration, Planning and Assets**

Ward(s): All

Purpose: To seek an endorsement from Cabinet Members to recommend to Full Council to adopt the CIL Charging Schedule from 1 April 2015.

Decision type: Budget and Policy Framework

Contact: Craig Steenhoff, Specialist Advisor (Planning) , 1 Grove Road, Eastbourne
Tel no: (01323) 415345
E-mail: craig.steenhoff@eastbourne.gov.uk

Recommendation: To endorse the CIL Charging Schedule in line with the recommendations of the Examiners Final Report and recommend that at Full Council it is approved for adoption to come into force from 1 April 2015.

1.0 Introduction

1.1 The Community Infrastructure Levy (CIL) allows local authorities in England and Wales (defined as Charging Authorities) to raise funds from developers undertaking new building projects. It effectively replaces much of the existing process of planning obligations commonly known as 'Section 106' agreements. The primary use of CIL is to gain financial contributions from certain types of viable development to help fund new or improved strategic infrastructure required to support the growth identified in Eastbourne's Core Strategy Local Plan. CIL places a charge per square metre on development. It will not be the sole funding source for all infrastructure delivered, but will supplement other public sector revenue streams.

1.2 CIL has a number of significant advantages over the current system of Section 106 agreements, including:

- Payment is non-negotiable, which helps speed up the planning process;
- The CIL charge is transparent and predictable, meaning that applicants will know their CIL liability prior to submitting a planning application;
- All liable developments will contribute to the cost of infrastructure provision, not just large scale development;
- A proportion of CIL will be available to spend on local infrastructure priorities;
- From 1 April 2015, CIL will be the main mechanism for securing developer contributions for infrastructure to support growth. Section 106 planning agreements will be significantly scaled back after this date. The Government has already (28 November 2014) removed the ability to collect tariff-based

developer contributions on developments of 10 or less dwellings through Section 106 or other planning obligations.

1.3 The money raised from CIL will be used to pay for infrastructure to support development, ensuring that new development bears a proportion of the cost of delivering the new infrastructure required. CIL can be spent on any community infrastructure required to support growth, provided the infrastructure is contained within the Council's published Regulation 123 list. The Regulation 123 list is provided alongside the Council's CIL Charging Schedule. (Appendix 2)

2.0 The Charging Schedule

2.1 The Council has prepared a Community Infrastructure Levy (CIL) Charging Schedule which is proposed for adoption (Appendix 1). This document has undergone extensive public consultation in line with the CIL Regulations, and has been through the relevant Examination stages. The Examination was dealt with via written representations, and the production of Matter Statements in November/December 2014. The Council received the Examiners Final Report on 12 January 2015 which concluded that the Charging Schedule, subject to one modification, was sound and should be adopted by the Council. (Appendix 3)

2.2 The Charging Schedule states the types of development that will be liable for a CIL charge and the relevant charge (£) per sq m. of development. It is supported by a comprehensive evidence base which includes a detailed viability assessment. The viability assessment document examines the levels of CIL that can be achieved across the Borough without affecting the overall viability of development identified in the Eastbourne Core Strategy Local Plan. Only developments that are shown to be viable have been charged CIL, therefore the charges are fully justified by the evidence.

2.3 The Charging Schedule is also supported by a revised Infrastructure Delivery Plan and a Funding Gap Analysis document, to demonstrate that there is a funding deficit between the total cost of required infrastructure and the infrastructure already agreed for delivery and to be financed by the Council, external partners and agencies. The funding gap analysis justifies the position of the Council to move forward with CIL as an appropriate tool for collecting developer contributions.

3.0 The CIL charges

3.1 The Charging Schedule outlines that only dwellings (C3 Use Class) excluding residential apartments, and retail (A1-A5 Planning Use Class) are liable for a CIL charge at the following rates:

Type of Development (Use Class Order 1987 as amended)	CIL rate/sq. m for net additional floorspace
Dwellings* (C3) other than residential apartments	50
Retail (A1-A5) #	80
All other uses	0

** Where there is a net gain in dwellings*
 # Where the development is 100 sq. m. or greater.

3.2 The Examiner's Report recommends a modification, which has now been made to the Charging Schedule, to exempt residential apartments from CIL liability. It was felt that the evidence demonstrated that the CIL charge would affect the viability of apartment development, which would in turn prevent that type of residential development coming forward for development.

3.3 **Phasing -** The Council consider that if a planning application is large enough to be delivered through appropriate phases, then CIL payments should be linked to these phases to ensure that development remains viable overall. The Council will negotiate relevant phasing on major applications during the determination of the planning application. Set phases and their relevant land use descriptions will need to be confirmed in an accompanying Section 106 agreement and these phasing stages will be linked to CIL liability. Therefore, the CIL charge will be calculated at each phase of the development, and will be liable for payment on commencement of each relevant phase.

4.0 Resource Implications

4.1 The Council has an agreed budget for progressing CIL through to adoption, which includes the support by planning consultants in the preparation of viability evidence and support at Examination. IT software provided by Civica, to manage the CIL liable planning cases, has already been purchased by the Council.

4.2 Financial

The cost of the publication and publicity for the Charging Schedule will be met from within the existing service budget. The cost of additional Civica software to deal with CIL planning case has already been agreed and this will be fully operational from 1 April 2015.

4.3 Legal

The Charging Schedule has been prepared in accordance with the CIL Regulations 2010 (as amended) and takes account of best practice guidance related to the recent examination of CIL Charging Schedules.

4.4 Staff Resources

Officers will manage the publicity and publication of the Charging Schedule.
A part-time CIL Monitoring Role (which also includes monitoring section 106 contributions) has been identified as a service growth item, and being addressed through the Service and Financial Planning process.

4.5 Equalities and Fairness Impact Assessment

A streamline assessment has been made as the CIL Charging Schedule is a technical planning document. The assessment demonstrates that there are no impacts on equalities and fairness and there are no human right issues.

5.0 Governance

5.1 Governance around spending the CIL contributions will need to be put in place and there is time to agree this. It will take a while for CIL to build up a pot of monies that is sufficient and can then be spent on infrastructure projects. For example approximately £12,000 is expected to be collected each year from residential development. Also infrastructure projects must accord with those identified in the Council's Regulation 123 list (see Appendix 2). It is inevitable that there will be bids from infrastructure providers that exceed the monies collected at any one time and some prioritisation will need to be made. It is proposed that a separate report is brought to Cabinet later in the year on options to manage the prioritisation and the recommended decision making process. .

6.0 Conclusion

6.1 The Charging Schedule has been prepared appropriately, in line with CIL Regulations and has been found sound at Examination, subject to the included modification. The proposed rates are justified by evidence and ensure that they do not compromise the ability for the Council to deliver its spatial development strategy. It is in the interest of the Council to adopt the Charging Schedule on 1 April 2015, at which date further significant restrictions are placed on Section 106 agreements.

6.2 Cabinet are recommended to endorse The CIL Charging Schedule in line with the recommendations of the Examiners Report and recommend its adoption at the next. Full Council on 18 February 2015. The CIL Charging Schedule would come into operation on 1 April 2015.

Craig Steenhoff

Specialist Advisor (Planning)

Background Papers:

The Background Papers used in compiling this report were as follows:

Community Infrastructure Levy Regulations (2010) [as amended]

National Planning Policy Framework CLG (2012)

Accompanying Reports/Documents (attached separately):

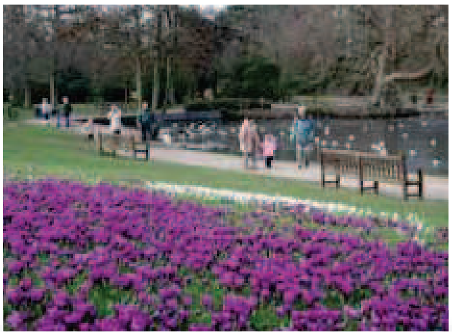
Appendix 1 - Eastbourne Community Infrastructure Charging Schedule (April 2015)

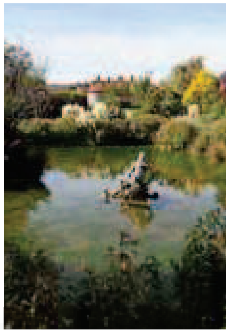
Appendix 2 - Eastbourne Regulation 123 Infrastructure List (April 2015)

Appendix 3 – Examiners Final Report

To inspect or obtain copies of background papers please refer to the contact officer listed above.

Eastbourne
COMMUNITY INFRASTRUCTURE LEVY
Charging Schedule

April 2015

EASTBOURNE
Borough Council

www.eastbourne.gov.uk

COMMUNITY INFRASTRUCTURE LEVY
Charging Schedule

Adopted 1 April 2015

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Available to view and download for free at:
www.eastbourne.gov.uk/cil

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Contents

1. Introduction

1.1 Eastbourne Borough Council (The Council) has prepared a Community Infrastructure Levy (CIL) Draft Charging Schedule which was adopted by the Council on 1 April 2015.

1.2 The Charging Schedule was submitted for independent Public Examination on 10 October 2014. Representations submitted during two consultation stages on the Draft Charging Schedule (February and June 2014) were considered at the Examination.

1.3 Changes were made to the Charging Schedule to take account of representations made during the Preliminary Draft consultation stage[1] and the resulting need for additional viability evidence and testing. In summary this has resulted in CIL charges which are robust, based upon detailed viability evidence. These charges will not compromise the Council's ability to deliver its spatial development strategy.

1.4 This document sets out the general explanation of CIL, the background to its preparation and the methodology used to determine the proposed CIL rates. An accompanying 'CIL Guidance Document on Definitions and Regulations June 2014' has also been published to provide further explanation of the CIL process and links to key information from Government.

1.5 The Charging Schedule is supported by an evidence base which includes a detailed viability assessment. The viability assessment document examines the levels of CIL that can be achieved across the Borough without affecting the overall viability of development identified in the Eastbourne Core Strategy Local Plan. Only developments that are shown to be viable will be charged CIL.

1.6 The Charging Schedule is also supported by a revised Infrastructure Delivery Plan and accompanying Funding Gap and Section 106 Analysis document, to demonstrate that there is a funding deficit between the total cost of required infrastructure and the infrastructure delivered or financed by the Council or external partners and agencies. This analysis justifies the position of the Council to move forward with a CIL charging regime.

1.7 This document has been prepared in accordance with the CIL Regulations 2010 (as amended) and statutory guidance. These background documents are also available as part of this consultation and the following link is provided to the Communities and Local Governments Website: https://www.gov.uk/government/policies/giving-communities-more-power-in-planning-local-development/supporting-pages/community-infrastructure-levy

[1] The CIL Preliminary Draft Charging schedule underwent public consultation from 19 July – 30 August 2013 and a summary of representations can be found in the accompanying CIL Consultation and Cooperation Statement.

1.8 This document has been shaped internally with continued engagement with infrastructure providers, stakeholders and Members, and was presented at the Council's Cabinet on 5 February 2014 to seek authority to submit the Charging Schedule for representations to be made.

1.9 Part of the South Downs National Park (SDNP) is located within the western part of the Borough. As the SDNP Authority manages growth and development within the SDNP, it will introduce its own CIL in due course to cover development within its area. Areas within Eastbourne Borough, that are designated within the SDNP boundary will therefore not be included in this Charging Schedule.

2. An Explanation of CIL

2.1 The Community Infrastructure Levy (CIL) allows local authorities in England and Wales (defined as Charging Authorities) to raise funds from developers undertaking new building projects. It effectively replaces much of the existing process of planning obligations commonly known as 'Section 106' agreements. The primary use of CIL is to gain financial contributions from certain types of viable development to help fund new or improved strategic infrastructure required to support the growth identified in a local authority's Core Strategy. For example strategic and local transport infrastructure would include the provision of cycle lanes. CIL places a charge per square metre on development. It will not be the sole funding source for all infrastructure delivered, but will supplement public sector revenue streams.

2.2 CIL has a number of significant advantages over the current system of Section 106 agreements, including:

- Payment is non-negotiable, which helps speed up the planning process;
- The CIL charge is transparent and predictable, meaning that applicants will know their CIL liability prior to submitting a planning application;
- All liable developments will contribute to the cost of infrastructure provision, not just large scale development;
- A proportion of CIL will be made available to allow local priorities to be delivered;
- From April 2015[2], CIL will be the main mechanism for securing developer contributions for infrastructure to support growth. Section 106 planning agreements will be significantly scaled back after this date.

2.3 The money raised from CIL will be used to pay for infrastructure to support development, ensuring that new development bears a proportion of the cost of delivering the new infrastructure required. CIL can be spent on any community infrastructure required to support growth, provided the infrastructure is on the Council's published Regulation 123 list. The draft proposed Regulation 123 list is submitted alongside the Charging Schedule.

Development that is Liable for CIL

2.4 CIL legislation states that all new residential units, and the erection of or extensions to other buildings (over 100 sq. m. net additional gross internal floorspace in size) are liable to pay CIL. All net additional dwellings (self contained houses or flats) are liable regardless of their size. The floorspace of any buildings that are demolished as part of development proposals will be off-set against the new overall floorspace liability. In some instances CIL will

[2] Confirmed in revised CIL Legislation (February 2014).

apply to the floorspace allowed under permitted development as well as development for which a planning application is required.

2.5 CIL is not charged on changes of use or internal alterations where there is no net gain in floorspace, provided that the building has been in continuous use for at least 6 months of the 3 year period preceding planning permission being granted. Development proposals that already have a planning permission when the CIL charging schedule comes into force are not liable for CIL. This includes any subsequent Reserved Matters applications following outline planning permission. However, if development proposals with planning permission are not commenced within a conditioned time limit, any subsequent renewal or amendment applications will be liable to CIL if by that time a CIL Charging Schedule has been adopted by the Council.

Exemptions and Relief from CIL

2.6 The CIL Regulations set out the exemptions for paying CIL and stipulates that the following types of development will not be liable for CIL:

- Minor development of less than 100 sq. m. net additional gross internal floorspace, unless it results in the creation of net additional dwelling(s);
- Full relief is applied on all those parts of chargeable development that are to be used as social/affordable housing (Criteria set out in Regulation 49/49A);
- All forms of residential development including annexes and extensions which are built by 'self builders';
- A registered charity landowner will receive full relief from their portion of the liability where the chargeable development will be used wholly or mainly for charitable purposes (Regulation 43-48);
- The conversion of or works to a building in lawful use that affects only the interior of the building;
- Mezzanine floors of less than 200 sq m inserted into an existing building, unless they form part of a wider planning permission which seeks to provide other works;
- Development of buildings and structures into which people do not normally go into or enter under limited circumstances (for example an electricity sub-station or wind turbine) (Regulation 5(2));
- Vacant buildings brought back into the same use (Regulation 40) – buildings must have been in use for six continuous months out of the last three years for the levy to apply only to the net additional floorspace;
- Development granted planning permission before the date that CIL is formally adopted and built out before the expiry of the planning consent;
- When the resulting CIL is calculated as £50 or less, then a CIL payment will not be charged by the Council.

2.7 The Council has chosen to not apply an exceptional circumstances policy as it is felt that the viability charges are fair and reasonable based upon the viability of all proposed schemes across the Borough.

2.8 Any development which the Council has identified as 'zero rated' within its CIL charging rates, at this moment in time is considered to be financially unviable. This takes account of evidence prepared at this current time, and will be subject to review in future years. Any changes to CIL rates by development type will be subject to a full review and publication/examination of a fully revised CIL Charging Schedule.

When is CIL Payable?

2.9 Payment of CIL is due from the date of commencement of the liable development. The default position is that the whole amount must be paid within 60 days of commencement, unless the development falls under the criteria for the Council's phasing policy (Policy CCS2), under which payment can be made in instalments.

2.10 CIL operates on the exchange of formal notices:

- The person(s) who pay CIL provide the Council with an **Assumption of Liability Notice**, required with the planning application;
- A **Liability Notice** is issued by the Council along with the planning permission decision, stating how much CIL is payable. The responsibility to pay the levy lies with the local landowner and is a local land charge;
- Before the development starts the developer provides the Council with a **Commencement Notice**, giving the start date;
- The Council will then issue a **Demand Notice** (the bill) to ensure that payment is received within 60 days of commencement.

Calculating the Chargeable Amount

2.11 In order to calculate CIL payments due it is necessary for the following details to be supplied with the planning application:

- The gross internal area of all buildings and their uses on the site prior to development (if any);
- The gross internal area of buildings to be demolished and their uses (if any); and
- The proposed gross internal area of all buildings and their uses on the site once the development has been completed.

2.12 The Council will calculate the amount of CIL payable ('the chargeable amount') in respect of a chargeable development in accordance with the requirements and formulas in Regulation 40 of the CIL Regulations 2010 (as amended). The amount of CIL chargeable at a given rate must be calculated by applying the prescribed formula as defined in the CIL Regulations and shown in Appendix A of this Charging Schedule.

2.13 The total chargeable amount for a development scheme is equal to the sum of the amounts of CIL chargeable for each use (at each relevant rate) for the development permitted. For example if the development scheme includes both residential and retail elements, the chargeable amount will be calculated taking the sum of the relevant charges for each of these uses.

2.14 The relevant rates are the rates at which CIL is chargeable (Table 1, Section 4), which are in effect (a) at the time planning permission first permits the chargeable development; and (b) in the area in which the chargeable development will be situated.

3. Evidence Base

3.1 CIL Regulation 14 requires that when setting CIL rates charging authorities must aim to strike an appropriate balance between:

- The desirability of funding infrastructure (in whole or in part) from CIL; and
- The potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across the charging authority's area.

This balance is a central consideration of the CIL rate setting process.

3.2 The Charging Schedule is informed by the best available evidence base which includes Borough level viability assessments and an up-to-date Infrastructure Delivery Plan. These pieces of evidence assess the infrastructure requirements and potential levels of CIL that can be achieved across the district by type of development. Only development types that are shown to be generally viable will be charged CIL. In addition, evidence has been prepared to show that there will be a funding gap between identified public resources for infrastructure and the level of infrastructure that will need to be delivered in support of the growth being identified in the adopted [February 2013] Eastbourne Core Strategy Local Plan ('The Core Strategy'). This evidence documentation is available for consideration in support of the Charging Schedule.

3.3 The Core Strategy and Proposed Draft Employment Land Local Plan[3] identify that a total of 5,022 net dwellings and 43,000 sq. m. of employment land will be delivered within the plan period 2006-2027. Viability evidence in support of CIL has looked in detail at the location of new development (both neighbourhood location and type of land e.g. brownfield/greenfield), the affordable housing requirements for residential schemes, and the typical sizes of and mixes of development coming forward to assess overall viability. It is considered that although there is a noticeable disparity between viability on brownfield and greenfield sites, current or emerging CIL legislation does not allow for, nor does it support this differentiation. Brownfield development forms a significant proportion of the Council's spatial development strategy and therefore acts as the primary guide to setting residential CIL rates. The revised charge takes account of further viability testing to fully consider site specific abnormal costs and the reduced viability of apartment development. The revised charge ensures that the overall CIL rate for residential development is fair and robust across the whole Borough. It is not considered that the variations in residential sub-markets across the Borough are significant enough to justify a differential zone approach and as such a single rate is proposed.

---

[3] The Employment Land Local Plan is currently being progressed by the Council.

3.4 Only residential and retail (A1-A5 Planning Use Class) developments have been assessed as viable for a CIL charge. Retail viability testing showed a wide range of proposed costs by type, but for ease and in line with planning regulations and recent case law it is proposed to have one standard charge for retail development across the A1-A5 retail Planning Use Classes. No other types of development will be liable for a CIL payment, and therefore will be zero rated.

3.5 It is important to confirm that the proposed CIL rates have been tested based on the full affordable housing requirement being delivered on each development scheme, which is 30% in low value market areas and 40% in high value market areas. Testing was also set at Level 3 and 4 of the Code for Sustainable Homes. This is important to ensure that CIL rates do not affect the ability to deliver affordable housing and sustainable development. This is a key priority for the Council in conformity with the spatial development strategy identified in the Core Strategy, and ensures that CIL rates are viable overall.

3.6 It is also important that when CIL charges are recommended, that they are not set at or near to the maximum level assessed in the viability evidence. The Council consider that the proposed CIL rates (Table 1, Section 4) will be resistant to market and policy changes, given that they have been set at an appropriate amount that is viable within the current economic climate.

4. Proposed CIL Charging Rates and Phasing Arrangements

4.1 The proposed CIL rates for Eastbourne are set out in Policy CCS1 'CIL Charging Rates' below, with Table 1 setting the rates by development type and Figure 1 identifying the zones to which the residential CIL charges apply.

POLICY CCS1:
Community Infrastructure Levy Charging Rates

The Council has set CIL charges for dwellings (C3 Use Class), excluding residential apartments, and retail (A1-A5 Planning Use Classes) per square metre of net additional (gross internal floorspace) development as identified in Table 1, for those areas defined in Figure 1. These charges will apply to all liable developments as identified in the CIL Charging Schedule planning document.

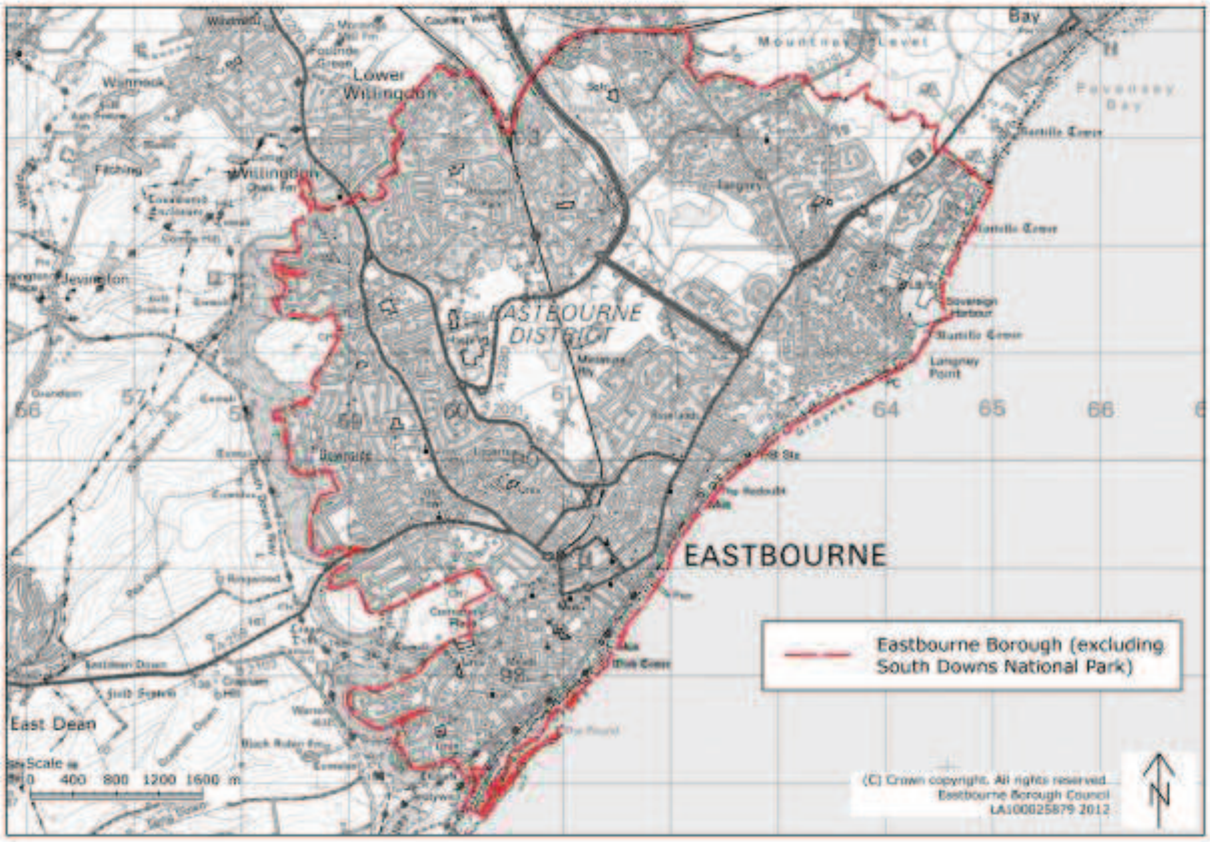
Table 1: Proposed Charging Rates for Eastbourne Borough Council CIL

Type of Development (Use Class Order 1987 as amended)	CIL rate/sq. m for net additional floorspace
Dwellingsl* (C3) excluding residential apartments	50
Retail (A1-A5) #	80
All other uses	0

** Where there is a net gain in dwellings*
 # Where the development is 100 sq. m. or greater.

Figure 1: CIL Charging Area

The CIL Charging Area will be all areas within the local authority boundary excluding the South Downs National Park, as identified below.



Phasing

4.2 The Council consider that if a planning application is large enough to be delivered through appropriate phases, then CIL payments should be linked to these phases to ensure that development remains viable overall. The Council will negotiate relevant phasing on major applications during the determination of the planning application. Set phases and their relevant land use descriptions will need be confirmed in an accompanying Section 106 agreement and these phasing stages will be linked to CIL liability. Therefore, the CIL charge will be calculated at each phase of the development, and will be liable for payment on commencement of each relevant phase. This is confirmed in Policy CCS2 below.

POLICY CCS2:
Phasing of CIL Payments

For major planning applications where the development scheme is phased as detailed in an accompanying Section 106 agreement, then CIL liability will be calculated for each separate phase. The phasing arrangements including quantum of development (net additional gross internal floorspace) delivered by each development type (Planning Use Class) should be clearly distinguished at each phase. CIL payment will be liable on commencement of each relevant phase.

5. Other Matters

5.1 The Council has prepared a Draft Regulation 123 Infrastructure List which is provided as an accompanying background document. This provides a list of the infrastructure types that the Council currently considers it is likely to apply CIL revenues towards. It is important to note that this list is subject to future review and may change before the adoption and implementation of CIL by the Council at the beginning of 2015.

5.2 The Council has provided evidence on global infrastructure costs in its Infrastructure Delivery Plan as well as in its Funding Gap analysis for the provision of cross-boundary infrastructure, such as transport provision. The Council will continue to work closely with East Sussex County Council and Wealden District Council on the governance arrangements in order to implement CIL and ensure that CIL monies are collected in both Eastbourne and South Wealden towards the delivery of strategic transport infrastructure in the Eastbourne and South Wealden area.

5.3 There will be circumstances where infrastructure identified will also be critical to development to our neighbouring authorities and funding streams may be available from these sources, including potential CIL contributions raised by neighbouring authorities, especially transport and education provision with Wealden District Council. There will also be circumstances where CIL contributions collected will be required to be spent outside the Borough including transport provision in Wealden.

5.4 The Council will monitor the effectiveness of CIL through the Local Monitoring Report (normally published each year in December). This will take account of the economic climate and any change to the economic viability within the local area. The review of CIL charges will need to be implemented through a full review of the CIL Charging schedule and supporting viability evidence. A full review will be undertaken when necessary in future years.

APPENDIX A: Calculating the Chargeable Amount

Calculation of the Chargeable Amount

The collecting authority must calculate the amount of CIL payable (the "chargeable amount") in respect of a chargeable development in accordance with regulation 40. The chargeable amount is an amount equal to the aggregate of the amounts of CIL chargeable at each of the relevant rates (regulation 40(2)). The 'relevant rates' are the rates, from the relevant charging schedules, at which CIL is chargeable in respect of the chargeable development.
Regulation 40(5) provides that the amount of CIL chargeable at a given relevant rate (R) must be calculated by applying the following formula:-

$$\frac{R \times A \times I_P}{I_C}$$

Where:-

A = The deemed net area chargeable at rate R;
I_P = The index figure for the year in which planning permission was granted;
I_C = The index figure for the year in which the charging schedule containing rate R took effect.

The Chargeable Development

The 'chargeable development' is the development for which planning permission is granted. Regulation 9 provides that:-
(a) Where planning permission is granted by way of a general consent, the chargeable development is the development identified in a notice of chargeable development submitted to the collecting authority in accordance with regulation 64 (or by the authority under regulation 64A).
(b) In the case of a grant of outline planning permission which permits development to be implemented in phases, each phase of the development is a separate chargeable development.
(c) Where planning permission is granted under section 73 of TCPA 1990, the effect of which is to change a condition subject to which a previous planning permission was granted by extending the time within which development must be commenced, the chargeable development is the development for which permission was granted by the previous permission.

The Net Area Chargeable

Regulation 40(6) (as amended) provides that the 'net area chargeable' (A in the formula in paragraph 3.2 above) must be calculated by applying the following formula:-

$$G_R - K_R - \frac{(G_R \times E)}{G}$$

Where:-
G = the gross internal area of the chargeable development;
G_R = the gross internal area of the part of the chargeable development chargeable at rate R;
K_R = the aggregate of the gross internal areas of the following:-
(i) retained parts of in-use buildings, and
(ii) for other relevant buildings, retained parts where the intended use following completion of the chargeable development is a use that is able to be carried on lawfully and permanently without further planning permission in that part on the day before planning permission first permits the chargeable development;
E = the aggregate of the following:-
(i) the gross internal areas of parts of in-use buildings that are to be demolished before completion of the chargeable development, and
(ii) for the second and subsequent phases of a phased planning permission, the value E_x (as determined under regulation 40(8)), unless E_x is negative, provided that no part of any building may be taken into account under both of paragraphs (i) and (ii) above.

Regulation 40(8) provides that the value E_x must be calculated by applying the following formula:-

$$E_P - (G_P - K_{PR})$$

Where:-
E_P = the value of E for the previously commenced phase of the planning permission;
G_P = the value of G for the previously commenced phase of the planning permission; and
K_{PR} = the total of the values of K_R for the previously commenced phase of the planning permission.

The Index Figures

The index figures referred to in the formula in paragraph 3.2 above (I_P and I_C) are the national All-in Tender Price Index figures that published by the Building Cost Information Service of the Royal Institution of Chartered Surveyors (RICS); and the figure for a given year is the figure for 1st November of the preceding year (regulation 40(7)).

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COMMUNITY INFRASTRUCTURE LEVY

REGULATION 123 INFRASTRUCTURE LIST

April 2015

1. Regulation 123 of the Community Infrastructure Regulations 2010 (as amended) restricts the use of planning obligations for infrastructure that will be funded in whole or part by the Community Infrastructure Levy. The following table comprises Eastbourne Borough Council's Regulation 123 List. It includes the infrastructure types that the Council currently considers it is likely to apply CIL revenues to, and such will not be secured through planning obligations. This is to ensure that there is no duplication between CIL and planning obligations secured through S106 agreements, in funding the same infrastructure projects.

Infrastructure currently considered to benefit from the application of CIL funding

- Strategic and Local Transport Infrastructure and facilities, excluding specific improvements needed to make the development acceptable in planning terms. These exclusions can include (but are not limited to):
  - Highways crossovers to access the site and local junctions;
  - Deceleration and turning lanes;
  - Measures to facilitate pedestrian, public transport and cyclist improvement and access;
  - Lighting and street furniture needed to mitigate impact of development;
  - Mitigation works remote from the development where the need for such works is identified in a Transport Assessment.
- Education Provision;
- Library Facilities;
- Children's Play Space, Open Space and Sports Playing Fields;
- Flood Storage Infrastructure Provision and Surface Water Management Infrastructure;
- Police Facilities.

2. This is the final version of the Regulation 123 List, that is published alongside the adopted CIL Charging Schedule (1 April 2015).

The Relationship between the Community Infrastructure Levy and S106 Agreements/Unilateral Undertakings

3. Eastbourne Borough Council will be using the Community Infrastructure Levy as its primary tool to collect development contributions towards strategic infrastructure. There will be some instances in which Section 106 agreements or Unilateral Undertakings are still used, in addition to a CIL charge on the development. These instances would include:

   (i) Where a development was liable for an affordable housing contribution;

   (ii) Where there is a requirement for on-site or off site delivery of a specific piece of transport infrastructure (new access road onto the site for example) – these instances (termed exclusions) are stated specifically on the Regulation 123 list;

   (iii) Where the development required the delivery of any other type of infrastructure which is not listed on the Regulation 123 list.

4. The Council is very unlikely to continue to collect financial contributions through Section 106 agreements, for anything other than affordable housing contributions. In most instances the Section 106 agreement will ensure the on-site or off-site delivery of a specific type of infrastructure. In the limited number of instances in which it does collect financial contributions through S106, the Council will only be able to pool a maximum of 5 contributions to deliver a specific type or form of infrastructure. Affordable housing is exempt from this pooling restriction, and the Council will continue to collect financial contributions, where liable, in this instance. These funds will then be ring-fenced to ensure that they can be used to deliver or part-fund affordable housing on other sites.

5. The current arrangement for collecting Section 106 contributions for all types of infrastructure, except affordable housing, will cease on the adoption date of the Council's CIL Charging Schedule. Applications that are going to be determined near the lead in time of adopting CIL will need to take this into account, and will need to prepare for CIL charges being liable.

6. On the date that the CIL Charging Schedule is adopted, the Council is able to continue to spend and pool any number of financial contributions collected through Section 106 agreements, which have been agreed and signed before the adoption date of CIL. It will not be able to pool any more contributions on or after this point. CIL will then become the primary tool for collecting financial developer contributions.

The Planning Inspectorate

Report to Eastbourne Borough Council

by William Fieldhouse BA (Hons) MA MRTPI

an Examiner appointed by the Council

Date: 12 January 2015

PLANNING ACT 2008 (AS AMENDED)

SECTION 212(2)

REPORT ON THE EXAMINATION OF THE DRAFT EASTBOURNE COMMUNITY INFRASTRUCTURE LEVY CHARGING SCHEDULE

Draft Charging Schedule submitted for examination on 10 October 2014

File Ref: PINS/T1410/429/7

Non Technical Summary

This report concludes that, subject to modification, the Eastbourne Community Infrastructure Levy Draft Charging Schedule provides an appropriate basis for the collection of the levy in the Borough excluding those parts within the South Downs National Park. The Council has sufficient evidence to support the schedule and can show that the levy is set at a level that will not put the overall development of the area at risk.

One modification is needed to meet the statutory requirements. This would introduce a nil rate for all residential apartment developments.

The recommended modification is based on issues considered through the written representations procedure, and is necessary to ensure that an appropriate balance is struck between the desirability of CIL funding the infrastructure required to support the development of the area and the potential effects on the economic viability of that development.

Introduction

1. This report contains my assessment of the Eastbourne Community Infrastructure Levy (CIL) Draft Charging Schedule in terms of Section 212 of the Planning Act 2008. It considers whether the schedule is compliant in legal terms and whether it is economically viable as well as reasonable, realistic and consistent with the National Planning Policy Framework ("NPPF") and Planning Practice Guidance ("PPG")[1].

2. To comply with the relevant legislation the local charging authority has to submit what it considers to be a charging schedule that sets an appropriate balance between helping to fund necessary new infrastructure and the potential effects on the economic viability of development across the area. The basis for the examination, which took place through written representations, is the submitted Draft Charging Schedule dated October 2014, which is effectively the same as the document published for public consultation in February and June 2014[2].

3. The Council proposes rates of £50 per sq metre for residential (C3) development, and £80 per sq metre for retail (A1-A5) development. All other uses would be subject to no charge. The rates would be charged in all parts of the Borough excluding those that are within the South Downs National Park.

[1] PPG ID-25 *Community Infrastructure Levy* updated 12 June 2014.
[2] Two rounds of consultation were undertaken on the Draft Charging Schedule due to the publication of amendments to the CIL Regulations in February 2014.

Is the Draft Charging Schedule Supported by Background Documents Containing Appropriate Available Evidence?

Infrastructure Planning Evidence

4. The Eastbourne Core Strategy was adopted in February 2013. This sets out the development that is planned to take place in the Borough up to 2027 in order to achieve a vision of Eastbourne being a premier coastal and seaside destination within an enhanced green setting[3]. There are ten spatial objectives, one of which is to deliver new housing, employment and shopping opportunities to meet the needs of all sections of the local community and sustainable growth within environmental constraints[4].

5. The Core Strategy aims to deliver at least 5,022 dwellings within the built up area, with a minimum of 70% being on brownfield land[5] and all meeting the minimum requirement of level 4 of the Code for Sustainable Homes[6]. In order to ensure that residential development remains viable, the proportion of affordable housing sought is 40% in high value areas and 30% in low value areas[7].

6. Job growth and economic prosperity is supported[8], and the role of the town centre as the primary comparison shopping destination promoted, along with appropriate retail development in designated district, local and neighbourhood centres[9]. All non-residential development over 1,000m^2 must meet the BREEAM "very good" standard[10].

7. The Council is committed to working with others to ensure that the necessary infrastructure to support future housing and employment development is available or will be provided alongside new development. An Infrastructure Delivery Plan (IDP), setting out all of the strategic infrastructure required over the plan period, is to be regularly updated[11].

8. The latest version of the IDP is dated October 2014. This provides an analysis of current infrastructure requirements in different parts of the Borough in relation to education provision; community facilities; health care facilities; utilities, waste and flood measures; open space and green infrastructure; transport; town centre infrastructure improvements; emergency services; and affordable housing[12]. A schedule of infrastructure projects is included, along with estimated costs, actual and potential funding arrangements, and an assessment of whether each is critical, important or desirable in relation to delivery of the Core Strategy[13]. The IDP concludes that certain types of transport and education infrastructure are critical, along with wastewater treatment, flood protection measures, and the provision of a community centre

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3 Core Strategy paragraph 1.2.2
4 Core Strategy section 1.4.
5 Core Strategy policy B1.
6 Core Strategy policy D1.
7 Core Strategy policy D5 and Figure 16.
8 Core Strategy policy D2.
9 Core Strategy policy D4 and Appendix C.
10 Core Strategy policy D1.
11 Core Strategy policy E1.
12 IDP 2014 Figure 1 and Section 9.
13 IDP 2014 Appendix A.

in the Sovereign Harbour Neighbourhood[14].

9. The Council has undertaken an analysis of the latest estimated costs, along with expected sources of funding, for the critical infrastructure identified in the IDP. Potential funding sources include planning obligations, Borough Council funds, Southern Water capital development programme, East Sussex County Council capital programme, the local sustainable transport fund, Highways Agency investment programme, local enterprise partnership and local transport body funds, the Borough Council capital investment programmes, parking reserves, and Network Rail investment programme. The analysis concludes that there is a total infrastructure funding gap of approximately £48 million, due to shortfalls in funding for early years, primary, secondary and further education provision (£40 million) and transport projects (£8 million)[15].

10. The Council has carried out a CIL revenue analysis based on the rates set out in the Draft Charging Schedule and specific residential and retail developments that are expected to take place in accordance with the Core Strategy[16]. This concludes that residential developments on around sixty sites, that do not currently have planning permission, could generate around £2.9 million in CIL revenue[17]. There is no evidence before me to suggest that this is an unreasonable estimate.

11. Whilst no sites are allocated specifically for retail development, the Core Strategy does envisage additional floorspace for both comparison and convenience shopping. The Council estimates that extensions to existing retail areas could generate around £2.1 million in CIL revenue over the plan period[18]. This is based on three schemes currently known about (Town Centre Arndale, Sovereign Harbour Retail Park, and Langney Shopping Centre), and, if anything, seems to be a conservative estimate of the amount of CIL that could be generated by such retail developments up to 2027.

Conclusion about the Infrastructure Planning Evidence

12. Infrastructure required to deliver the Core Strategy, along with actual and expected sources of funding and a funding gap (£48 million), has been identified. The expected revenue from the proposed charging rates (£5 million) would make a modest contribution to filling the anticipated funding gap. Nonetheless, this demonstrates the need to introduce CIL to help to deliver the Core Strategy.

Economic Viability Evidence

13. The Council began work on CIL in 2012 with county-wide evidence on financial viability being commissioned by all local authorities in East Sussex, followed by bespoke assessments for Eastbourne in early 2013. This informed the Preliminary Draft Charging Schedule that was consulted upon in July and August 2013[19]. In response to the issues raised in the representations, further viability assessment work was carried out and, on the basis of this, changes

[14] IDP 2014 paragraph 2.2.
[15] Infrastructure Funding Gap Analysis Final Report (June 2014).
[16] Community Infrastructure Levy Revenue Analysis Final Report (June 2014).
[17] Community Infrastructure Levy Revenue Analysis Final Report (June 2014) Appendix A.
[18] Community Infrastructure Levy Revenue Analysis Final Report (June 2014) paragraphs 1.5 and 1.6.
[19] Consultation and Cooperation Statement (February 2014) paragraphs 2.1-2.4.

were made to the proposed rates which are reflected in the Draft Charging Schedule that was published for consultation in February and June 2014. This subsequently became, subject to some minor factual updates[20], the version that was submitted for examination in October 2014.

14. The Viability Assessment (VA) used to inform the Draft Charging Schedule was published in October 2013[21]; this includes a study of land and property values[22] and construction costs[23], and detailed numerical assumptions are set out in a series of tables[24]. In response to representations made during the consultation period, and to questions that I asked during the examination, the Council commissioned further assessment work in December 2014[25].

The Types of Development Considered

15. The VA considered development in a number of categories considered to be representative of most types of development that would be likely to take place in accordance with the Core Strategy in the period to 2027. These comprised five types of residential development, including different sizes of dwellings and apartments, and ranging in scale from 5 units to 120 units; supermarkets (3,000m^2); general retail (300m^2); factories; offices; hotels; residential institutions; community centres; bowling allies; farm stores; car showrooms; and car repair garages[26].

16. The further work carried out in December 2014 included an assessment of food stores/supermarkets of five different sizes ranging from 150m^2 to 7,500m^2; a small general shop (100m^2); a roadside retail unit (500m^2); and a retail warehouse (5,000m^2) [27].

17. Given the good range of different uses and scales of development considered, I am confident that the viability of all forms of development, including discount operator food stores, likely to take place in accordance with the Core Strategy has been assessed.

The VA Methodology

18. The VA uses a "development appraisal approach", which estimates the value and cost (including of purchasing the land) of the different types of development and makes allowance for reasonable developer profits. The sum of the costs and profit is subtracted from the value of the development, and if the outcome is positive the development is assessed as viable. The size of the margin determines the maximum potential CIL rate that could be charged whilst maintaining viability[28].

19. Unlike standard residual land value methodologies, the VA factors in the threshold land value[29] as a key element of the development cost; this is

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[20] Schedule of Modifications (October 2014).
[21] Community Infrastructure Levy Viability Assessment and Viability Appraisals (NCS, October 2013).
[22] Valuation Study (HEB Chartered Surveyors, May 2013) attached as Appendix 1 to the VA.
[23] Construction Cost Study for East Sussex (Gleeds, May 2012) attached as Appendix 2 to the VA.
[24] Community Infrastructure Levy Viability Appraisals (NCS, October 2013).
[25] Council written statement in response to the Examiner's questions 9 and SQ1 to SQ4 (December 2014).
[26] VA paragraph 4.14 to 4.16.
[27] Council written statement in response to the Examiner's question 9 (December 2014).
[28] VA paragraphs 3.32 to 3.35.
[29] Threshold land value is the minimum value at which the landowner will sell the land.

intended to take account of all potential finance charges. The PPG acknowledges that there are a number of possible methodologies that can be used to prepare economic viability evidence[30], and the approach used in the VA is broadly consistent with the principles set out in widely-recognised best practice[31].

20. However, as with any viability model, the outputs (here, the maximum potential CIL rates) are a result of the inputs. In other words, the assumptions about land values, construction costs, infrastructure costs, and financial contributions through planning obligations, developer profits, and the sales value of the development are all critical to determining viability and hence potential CIL rates. Some of these assumptions have been challenged by representors.

21. Land and property prices were considered across the Borough, and the analysis suggested that two principal residential sub market areas could be identified with variations being significant enough to apply differential assumptions for the purposes of the VA. However, there was not conclusive evidence to demonstrate that commercial and other non-residential values varied markedly across the Borough such that it was necessary to adopt a sub market approach for such developments[32]. Whilst this has been questioned in representations, I have not been provided with any substantive evidence to indicate that a differential approach based on geography should be adopted for commercial development.

Land Values

22. Rather than basing the threshold land value on a fixed percentage increase above the existing use value, the VA assumes that landowners will expect a minimum of 50% of the uplift in land value that occurs as a consequence of the development, with the remaining proportion going, ultimately, to the public through planning obligation financial contributions, CIL charges, or other mechanisms. The sharing of land value uplift between landowners and the public is an inevitable consequence of requiring development to contribute to the cost of infrastructure and other mitigation measures, and whilst there is no specific justification for a fifty-fifty split, such an approach seems reasonable and has not been seriously called into question by any of the representors.

23. There are some concerns about the basis for the retail land value assumptions. It is acknowledged that local transactional data is limited, but this has been supplemented by comparable information drawn from a wider geographical area[33]. Little specific alternative evidence about land values has been presented by representors, and I am therefore satisfied that the VA is based on appropriate available evidence in this regard.

Development Costs

24. Construction cost estimates are based on an analysis of a range of projects in

[30] PPG ID-25-019.
[31] Viability Testing Local Plans: Advice for Planning Practitioners (Local Housing Delivery Group chaired by Sir John Harman, June 2012).
[32] VA paragraphs 4.2 to 4.4, and pages 16 and 17 of the Valuation Study (HEB Chartered Surveyors, May 2013) attached as Appendix 1 to the VA.
[33] Pages 24 to 26 of the Valuation Study (HEB Chartered Surveyors, May 2013) attached as Appendix 1 to the VA.

the consultant's database supplemented where appropriate by BCIS information[34]. Costs of providing drainage, internal access roads, utility connections and ancillary open space are included, whereas no allowance is made for potential abnormal costs[35].

25. Much of the retail development likely to take place in the Borough in accordance with the Core Strategy is likely to be on brownfield sites, meaning that there could well be additional costs including of demolition, site preparation, and other abnormals. However, it is not unreasonable to expect such costs, which will be site specific, to be reflected in a lower land value. Furthermore, as CIL is calculated on net additional floorspace, the amount charged will be reduced for schemes that involve the demolition of existing buildings. Some additional costs will be covered by the assumptions about financial contributions through planning obligations which I consider below.

26. Retail construction costs (£600 per sq metre) are based on the cost of a retail shell, and development values were estimated accordingly[36]. Such an approach allows for consistency across all forms of retail development, whereas attempting to factor in the specific requirements of individual retail operators including fitting out the building or landscaping the site, the costs of which can vary markedly, would be impractical and not allow meaningful comparisons to be made.

27. For residential development, the cost of providing affordable housing in accordance with the requirements of the Core Strategy was included[37], as were costs associated with achieving level 3 of the Code for Sustainable Homes[38]. Whilst the justification for choosing level 3, rather than level 4 in accordance with the Core Strategy, is not entirely clear, there is no substantive evidence before me to suggest that this would make such a significant difference to the costs of residential development that it would materially affect the conclusions relating to viability.

28. According to some representors, the cost assumptions about contingencies (5%) and professional fees (8%) are unrealistically low and fail to take account of marketing, legal and land acquisition fees. However, there is no information before me to justify any alternative figures, and those that are used are not significantly lower than referred to in advice to practitioners[39].

29. The VA makes allowances for financial contributions that would be likely to still be required notwithstanding the introduction of CIL. The assumptions of £2,000 per dwelling and £10 per sq metre for retail development are intended to cover the costs of addressing site specific issues that may arise, including providing safe access and local highway improvements, flood mitigation, and archaeological investigations[40]. This is consistent with the Regulation 123 list published in October 2014. As these allowances are greater than the average

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[34] Construction Cost Study for East Sussex (Gleeds, May 2012) page 3, attached as Appendix 2 to the VA.
[35] VA paragraphs 4.18 and 4.19.
[36] Council written statement in response to the Examiner's question 9 (December 2014).
[37] VA paragraphs 4.5 to 4.8 and 6.5 to 6.6
[38] VA paragraph 4.17.
[39] Viability Testing Local Plans: Advice for Planning Practitioners (Local Housing Delivery Group chaired by Sir John Harman, June 2012) page 35 and Appendix B.
[40] VA paragraphs 4.20 to 4.22, and Council written statement in response to the Examiner's questions SQ6 and SQ7 (December 2014).

financial contributions made through planning obligations in the past[41], they are, if anything, more likely to be on the high side rather than under-estimates.

Developer Profits

30. Developer profits are assumed to be a 20% return on gross development value for residential development, and 17.5% for commercial development in recognition that most commercial floorspace will be pre-let or pre-sold meaning that the level of risk is less than for residential development[42]. Such profits are generally considered reasonable for these types of development, and nothing that I have read demonstrates that they are inappropriate in this case.

Development Sales Values

31. Assumed residential sales values are based on actual market comparable evidence, as housing tends to be a relatively uniform product. However, whilst commercial property sales values are based on transactional data where possible, this is backed up by an analysis of estimated market rents and investment yield profiles[43]. Whilst some of the data used relates to sites outside the Borough, a reasonable range of locations and developments has been used. There is no information that I have been provided with to lead me to conclude that the assumed sales values are unduly optimistic, and as they are largely based on data relating to the last few years they may indeed prove to be conservative if economic conditions improve over the plan period.

Conclusion about the Economic Viability Evidence

32. Testing the viability of development across an area is not an exact science[44]. The VA adopts a reasonable and proportionate approach, and clearly has had regard to good practice based on experience gained elsewhere. Some assumptions may be optimistic, whilst others may be pessimistic. It is not possible to precisely weigh up the overall effect, but on balance the evidence provides a reasonable basis for assessing the viability of the various types of development across the area. Given the inevitable uncertainties that surround the assumptions, and because the costs of some developments may be greater, it is important that the proposed CIL rates are set significantly below the maximum potential rates identified in the VA in order to ensure that the viability of most development is not compromised.

Conclusion on Whether the Draft Charging Schedule is Supported by Background Documents Containing Appropriate Available Evidence

33. The Draft Charging Schedule is supported by detailed evidence of community infrastructure needs and the economic viability of development. On this basis, the evidence that has been used to inform the Draft Charging Schedule is robust, proportionate and appropriate.

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[41] VA paragraph 4.21 and Council written statements in response to the Examiner's questions 2, SQ6 and SQ7.
[42] VA paragraph 4.23.
[43] Page 11 and Appendices 2 and 3 of the Valuation Study (HEB Chartered Surveyors, May 2013) attached as Appendix 1 to the VA.
[44] Viability Testing Local Plans: Advice for Planning Practitioners (Local Housing Delivery Group chaired by Sir John Harman, June 2012) page 18.

Are the Proposed Charging Rates Informed by and Consistent with the Evidence?

Proposed CIL Rate for Retail Development

34. The VA concluded that supermarket development is viable and capable of generating maximum CIL rates of £397 per sq metre on brownfield sites and £456 on greenfield sites[45]. The further appraisal work carried out in December 2014 confirmed that small and medium-sized supermarkets (750m^2, 1,000m^2 and 2,000m^2) would be viable, but be capable of generating lower rates of CIL up to a maximum of £192 on brownfield sites[46].

35. The VA found that "general retail" (300m^2) is also viable, although maximum CIL rates would be £113 and £142 on brownfield and greenfield sites respectively[47]. The later assessment found that small general retail development, roadside retail units, and retail warehouses would all be viable and likely to be capable of generating higher rates of CIL[48].

36. The proposed CIL rate of £80 per sq metre for all forms of retail represents 42% of the maximum CIL rate for small and medium sized supermarket development on brownfield sites, and a smaller proportion for greenfield sites. For "general retail" (300m^2), the proposed rate represents 71% for brownfield development and 56% for greenfield development. For all other forms of retail development the proposed rate would represent a lower proportion of the potential maximum rate[49].

37. This suggests that the proposed CIL rate, when applied to the range of retail developments appraised, including that for discount operators and other small and medium sized shops, incorporates a significant margin to allow for the inevitable uncertainties that surround the estimates of development costs and values. Furthermore, there is no substantive evidence before me to demonstrate that the proposed rates are likely to threaten the viability of retail development across the Borough.

The Proposed CIL Rate for Residential Development

38. The VA concluded that all forms of residential development, other than that including apartments, are viable in both the low and high value areas. Maximum CIL rates would be £67 to £332 per sq metre depending on whether the development was on a brownfield or greenfield site, and the number and mix of dwellings[50].

39. The table below sets out the maximum CIL rates identified in the VA for the five categories of residential development assuming affordable housing provision in accordance with the requirements of the Core Strategy[51].

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[45] The VA, in paragraphs 6.11 and the table of page 33, refers to two different figures for the viability of supermarkets on greenfield sites. Paragraph 8.2 of the Council's written statement in response to the Examiner's questions SQ1 to SQ7 (December 2014) clarified that the correct figure is £456.
[46] Council written statement in response to the Examiner's question 9 (December 2014).
[47] VA paragraph 6.11 and table on page 33.
[48] Council written statement in response to the Examiner's question 9 (December 2014).
[49] The Examiner's percentage figures.
[50] VA paragraph 6.3 and tables on pages 29 to 32.
[51] VA paragraph 6.6.

	Mixed res dev 120 units	Starter homes & apartments 20 units	Apartment block 50 units	Infill 10 units	Exec infill 5 units
Low value area Greenfield site 30% affordable	163	9	-241	187	225
Low value area Brownfield site 30% affordable	83	-54	-284	108	143
High value area Greenfield site 40% affordable	182	32	-8	159	332
High value area Brownfield site 40% affordable	99	-38	-49	67	249

40. The proposed residential rate of £50 per sq metre represents 75% of the maximum potential rate for infill development of ten units on a brownfield site in the high value area. Such a form of development is unlikely to represent a large proportion of the overall amount of new housing, and the proposed rates would represent a much smaller proportion of the maximum potential rate for all of the other categories of brownfield and greenfield residential development in both high and low value areas (other than apartments and a mix of apartments and starter homes). This suggests that the proposed CIL rate, when applied to much of the residential development that is likely to take place, incorporates a significant margin to allow for inevitable variations in the costs and value of particular developments.

41. The VA concluded that apartment blocks are not generally viable in either low or high value areas, and a mix of starter homes and apartments is only viable on greenfield sites[52]. This is a highly significant finding because it is expected that around 60% of all new homes in the Borough up to 2027 will be in the form of apartment development[53]. The proposed charging rate would add an additional viability burden to, and thereby threaten the delivery of, a form of development that is clearly critical to meeting housing needs identified in the Core Strategy.

42. There is some evidence that the VA underestimated the viability of apartment developments as apartments have continued to be built in the last few years, and current prices of such new properties are higher than the values assumed in the VA[54]. However, the Council accepts that there is insufficient evidence relating to the time period used in the VA to justify significantly higher overall figures, and it would skew the outputs of the model to include data from a different time than that used for other variables. That said, a re-run of the model using a less conservative, alternative valuation of £2,800 per sq metre for apartment developments, rather than the figures of £2,700 for high value areas and £2,200 for low value areas, suggests that developments comprising apartment blocks and a mix of starter homes and apartments would be viable

[52] VA paragraph 6.4 and tables on pages 29 to 32.
[53] Council written statement in response to the Examiner's question SQ1 (December 2014).
[54] Council written statement in response to the Examiner's question SQ2 (December 2014).

on greenfield and brownfield sites in all parts of the Borough[55].

43. However, whilst the value of new apartments may be greater than second hand stock, it is not clear that such an increase in valuation is justified for the low value areas. Furthermore, and due to the affordable housing requirements, the maximum potential rates for greenfield apartment development in high value areas would be only slightly above the proposed rate of £50, whereas the potential rate for brownfield sites in such areas would be below that figure. The Council has not suggested that it would be appropriate to forego the provision of affordable housing to increase the viability of apartment development in high value areas, and to do so would be contrary to the Core Strategy. Recent changes to national guidance mean that contributions for affordable housing should not be sought from developments of ten units or less[56], but the effect that this will have in Eastbourne is not at all clear at this time.

44. Therefore, it is clear to me that applying the proposed charging rate of £50 to apartments is not justified by the viability evidence, and that it would be likely to threaten the delivery of a form of development that is critical to the achievement of the objectives of the Core Strategy. The Council has advised that, in the event that I reach such a conclusion, consideration should be given to modifying the Draft Charging Schedule to introduce a nil rate for residential apartment development. Such an approach would be likely to reduce the amount of CIL revenue compared to that estimated in the revenue analysis report, and mean that a greater infrastructure funding gap would persist. However, evidence suggests that the proposed rates would reduce the amount of residential development, meaning that the assumed CIL revenue would be unlikely to be raised in any case. In other words, applying CIL to apartment development would not only prevent housing needs being met, but would also be unlikely to help to deliver additional infrastructure. It would not, therefore, have a positive economic effect.

45. The legislation allows for differential rates by reference to intended uses of development. The PPG makes it clear that the definition of "use" for this purpose is not tied to the Town and Country Planning (Use Classes) Order 1987, and gives the example of applying differential rates to social housing if that is justified by viability evidence[57]. In this case, the evidence indicates that the viability of apartments is quite different to other forms of housing development in Eastbourne. Part of the reason for this is the additional development costs associated with creating shared access, circulation and outside amenity areas. Furthermore, these features of apartment blocks mean that such buildings are used in a materially different manner to individual dwellings with private gardens. I am, therefore, satisfied that the application of a differential rate to apartment developments would be in accordance with the relevant legislation and national guidance.

46. For the reasons given above, I recommend that the Draft Charging Rate be modified to include a nil rate for residential apartment developments in both the low and high value areas [**EM1**].

55 Council written statement in response to the Examiner's question SQ3 (December 2014).
56 PPG ID-23b-012, 28 November 2014.
57 PPG ID-25-022, 12 June 2014.

The Proposed CIL Rate for Other Categories of Development

47. The VA concluded that all of the other categories of development tested are not generally viable[58]. This has not been challenged by representors, and there is nothing that I have read that leads me to a different conclusion. Accordingly, the nil charge for all other types of development is justified.

Conclusion on Whether the Proposed Charging Rates are Informed by and Consistent with the Evidence

48. For the reasons given above, and with the exception of their application to apartment developments, the proposed charging rates are clearly informed by, and consistent with, the evidence relating to community infrastructure needs and the viability of development across the Borough as set out in the Core Strategy.

Does the Evidence Demonstrate that the Proposed Charge Rates would not put the Overall Development of the Area at Serious Risk?

49. Assuming that the Draft Charging Schedule is modified in accordance with my recommendation, the evidence suggests that residential and retail development will remain viable across most of the area if the charges are applied. Only if the assumptions used in the viability appraisals prove to be significantly wide of the mark, an eventuality which has not been shown to be likely by the evidence before me, would development across the Borough be made unviable by the proposed charging rates.

Other Matters

50. A number of other matters have been raised by representors. However, the approach to charging CIL that may be taken in exceptional circumstances, guidance about the how the system will operate, and reporting how CIL revenue is actually spent are all matters for the Council rather than for this examination. In so far as it is relevant to my considerations, I have had regard to the Regulation 123 list but it is not for me to advise on what is or is not included in that document. For that reason, it is not necessary for me to assess the detailed information provided by Sussex Police, although I note that police facilities have been added to the Regulation 123 list meaning that CIL could be used for such infrastructure if that were deemed to be appropriate by the Council.

51. I understand that the remaining brownfield land at Sovereign Harbour could accommodate 150 dwellings. Whilst such development would no doubt be beneficial to the area, in the context of the overall housing numbers it cannot be regarded as critical to the delivery of the Core Strategy. It is not, therefore, necessary to appraise specifically the viability of residential development in that area, and it will be for the Council to determine the level of affordable housing provision and other matters to be potentially covered by planning obligations.

52. No other matters raised in the representations affect my overall assessment or

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[58] VA paragraph 6.10 and table on page 33.

conclusion.

Conclusion

53. In setting the proposed charging rates the Council has had regard to detailed evidence on infrastructure planning and the economic viability evidence of the development market in those parts of Eastbourne outside the South Downs National Park. The Council has tried to be realistic in terms of achieving a reasonable level of income to address an identified gap in infrastructure funding, while ensuring that a range of development remains viable across the Borough.

54. However, I have found that the evidence indicates that apartment developments, which are critical to the delivery of the Core Strategy, would be unlikely to be viable if CIL were to be charged, and therefore such development should be subject to a nil rate. On that basis, only development that has been shown to be viable would be charged CIL, and the rates are set well below the maximum potential rates identified in the VA.

55. Therefore, my conclusion is that, subject to my recommended modification, an appropriate balance would be struck between the desirability of CIL helping to fund the infrastructure needed to support the development of the Borough and the potential effects (taken as a whole) on the economic viability of that development.

56. Given the uncertainties that inevitably surround the future value of land, and the costs and values of various forms of development, the Council should actively monitor the effects of CIL to ensure that it has an overall positive economic impact and helps to deliver development and necessary infrastructure as set out in the Core Strategy over the coming years.

Legal Requirements

National Policy and Guidance	The Charging Schedule complies with national policy and guidance.
2008 Planning Act and 2010 Regulations (as amended)	The Charging Schedule complies with the Act and the Regulations, including in respect of the statutory processes and public consultation, consistency with the Eastbourne Core Strategy adopted in 2013 and Infrastructure Delivery Plan, and is supported by an adequate financial appraisal.

57. I conclude that, subject to the modification set out in Appendix A, the Eastbourne Community Infrastructure Levy Draft Charging Schedule satisfies the requirements of Section 212 of the 2008 Act and meets the criteria for viability in the 2010 Regulations (as amended). I therefore recommend that

the Draft Charging Schedule be approved subject to that one modification.

William Fieldhouse
Examiner

This report is accompanied by:

Appendix A – Recommended Modification to the Draft Charging Schedule.

APPENDIX A

Recommended Modification to the Draft Charging Schedule

In respect of my recommendation EM1, the Draft Charging Schedule should be amended to read as follows:

Type of development (Use Classes Order 1987 as amended)	CIL charging rate per square metre of net additional floorspace
Dwellings* (C3) other than residential apartments	£50
Retail** (A1-A5)	£80
All other uses	£0

* Where there is a net gain in dwellings ** Where the development is 100 square metres or greater

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Body:	**Cabinet**
Date:	**4 February 2015**
Subject:	**Future arrangements for the Council's Building Control service**
Report of:	Senior Head of Community & EHL MD
Ward(s)	All
Purpose	To consider the proposal for the future of the Building Control Partnership
Decision type:	Key Decision
Recommendation:	Cabinet is recommended to: a) Endorse the principle of setting up a wholly owned Local Authority Company for Building Control services subject to a business case, legal advice and proposed governance arrangements b) Delegate the Senior Head of Community Authority to work with Wealden District Council to develop the business case, for consideration at a future Cabinet meeting
Contact:	Melanie Thompson, Head of Customer First 415227 melanie.thompson@eastbourne.gov.uk

1.0 Introduction

1.1 In November 1985 Central Government enacted the Building Act 1984 that *inter alia* introduced competition (e.g. in the form of Approved Inspectors (A/I's)) into the Building Control market, NHBC was the first body to emerge following the opening of the market. This followed the charges legislation this was introduced and adopted in 1981.

1.2 Since the late 1980's a number of these A/I's (both companies and individuals) entered the Building Control market. Some of these companies were set up as subsidiaries of large development companies, initially with the purpose of ensuring compliance with the Building Regulations in the developments of their parent companies.

1.3 In April 2011 Eastbourne Borough Council and Wealden District Council entered into a 5 year partnership agreement for the joint provision of building control services across the respective districts.

1.4 The partnership has worked successfully for the past 4 years, however the building control market has grown rapidly and with increased competition and pressures on budgets, Councils are facing a reduction of their market share as well as increasing costs. It is not possible for Local Authority Building Control (LABC) to cross subsidise or stop delivery on its non-chargeable statutory duties.

1.5 To assist in reducing current and future financial pressures (i.e. the non chargeable works), it is proposed that the partnership set up a wholly owned Local Authority Company. Taking advantage of recent developments in public procurement law, this company will then be able to operate more fully in the building control market by offering additional service that partnership is currently unable to offer and joined-up approach in the delivery of its services. These could include:-

a) New house warranties - The local plan has paved the way for a significant amount of residential development within the district and the majority of new houses built require a warranty to be provided for the purposes of obtaining a mortgage. The market leader in this area is currently the NHBC, although there a number of other companies that offers these services. A competitive warranty 'finders' fee will be paid for officer time; however, as the officer is already on site carrying out the chargeable part of the service (i.e. one of our statutory notification is to inspect the foundations which is also a warranty visit), it is anticipated that the majority of this money will be 'returned' to the board i.e. shown as a reduction in the management fee to the Building Control Partnership.

b) Warranties for extensions and other works – this is similar to above and operates in a manner not to dissimilar to an extended warranty on an appliance.

c) Sound testing, both internal and environmental: 2 officers have recently qualified to undertake these types of tests. Sound testing is charged out at a daily rate. Environmental testing is charged out at a higher rate.

d) Fire risk assessments – The Building Control Partnership has identified a further opportunity for expansion in terms of fire risk assessments. External and internal customers have expressed interest in this service. The advantage of providing this service is that in addition to the monetary benefits, it also provides a "one stop shop" for customers. It would be the Building Control section's intention to offer this service to both Councils housing sections and to the private sector, where there are indications that currently there are a number of landlords/owners who are unaware of the legal obligation to have a fire risk assessment carried out.

e) Access audits: Together with WDC's equalities officer, joint access audits and at a charge to service providers for they have a duty under the equalities legislation to have an audit carried out. It is anticipated that a small income will be obtained by providing this service.

f) Energy Performance Certificates (EPC's): every property that is sold or let must have an EPC provided. Although the market is very competitively priced, this service would be offered for a small additional charge as part of the warranty provision service.

g) Standard Assessment Procedure (SAP's): a SAP is generally needed to prove and establish that energy use will not exceed Government targets. Whilst a conventional dwelling design will meet these targets, there are a number of customers that prefer an 'unusual design' (e.g. lots of glazing). In order to prove the energy use is less than the targets laid down by law, the agent will have a SAP calculation performed for an additional charge. In addition, in providing this service the Building Control team will be a step closer to providing that "one stop shop" approach.

The revenue raised by offering these additional services can be used to off-set the increasing financial burden of the chargeable works.

2.0 Proposal

2.1 There have been various options previously considered in the past by the BC Partnership Board which has now been operating successfully for almost 4 years. These included working in partnership with an Approved Inspector, a wholly owned employee company, the formation and setting up of an arms length jointly owned company and renewal of the existing partnership agreement.

2.2 The concept of a wholly owned local authority trading company has been discussed by and agreed in principle by the Building Control Partnership.

2.3 The next step is to establish a joint project team to develop a detailed business case.

3.0 Financial implications

3.1 Current costs of delivering the non chargeable aspects of the service are in the realms of £199K split (£127K/£72K Wealden/Eastbourne).

3.2 Without mitigating the threats coming from the private sector, both Councils are at risk from increased costs in performing statutory building control duties. This objective would be for costs to remain at the current level and a reduction over time.

4.0 Legal implications

4.1 The legal implications will be considered in the business case.

5.0 Conclusion

5.1 The introduction of greater competition within the building control market through the expansion of A/I's is having a significant impact on the Building Control service. Rising costs, reduced budgets and an erosion of its market share means that the costs of delivering the service (if service levels are to be maintained) are likely to increase year-on-year unless the partnership considers alternative ways of delivering the service. This can be realised through the setting up of a wholly owned local authority trading company, and this in turn will give the company the opportunity of offering other related services for a financial return. Although savings have been made by the setting up of the Building Control Partnership and using resources and technology more efficiently, there is a finite limit to the extent that this can continue and the concern is that the non chargeable demands on the service will shortly out pace the innovations that are taking place within the service.

5.2 This report is seeking formal agreement for a project team to be set up with the objective of pursuing the concept of a wholly owned local authority company.

Melanie Thompson
Head of Customer First

Background papers

The background papers used in compiling this report were as follows:

- Business case for alternative service delivery models for the Building Control service – Wealden District Council
- Business report on the Viability of a wholly owned Local Authority Company – Wealden District Council
- Future Direction of BCP – WDC Report to BCP 5 November 2014

To inspect or obtain copies of background papers please refer to the contact officer listed above.

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

Agenda Item 14

Document is Restricted

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