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Cabinet
6 February 2019

EASTBOURNE
Borough Council

Working in partnership with **Eastbourne Homes**

Time and venue:

6.00 pm in the Court Room at Eastbourne Town Hall, Grove Road, BN21 4UG

Membership:

Councillor David Tutt (Chair); Councillors Alan Shuttleworth (Deputy-Chair) Margaret Bannister, Jonathan Dow, Stephen Holt, Colin Swansborough and John Ungar

Quorum: 2

Published: Tuesday, 29 January 2019

Agenda

1 Minutes of the meeting held on 12 December 2018 (Pages 1 - 6)

2 Apologies for absence

3 Declaration of members' interests (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 General fund revenue budget 2019/20 (Pages 7 - 32)

Report of Chief Finance Officer
Lead Cabinet member: Councillor Stephen Holt

8 Treasury management and prudential indicators 2019/20, capital strategy and investment strategy (Pages 33 - 66)

Report of Chief Finance Officer
Lead Cabinet member: Councillor Stephen Holt

9 Housing revenue account budget 2019/20 (Pages 67 - 80)

Report of Chief Finance Officer
Lead Cabinet member: Councillor Alan Shuttleworth

10 Business rate retail discount policy (Pages 81 - 94)

Report of Director of Service Delivery
Lead Cabinet member: Councillor Alan Shuttleworth

11 Disabled facilities grant policy (Pages 95 - 112)

Report of Director of Service Delivery
Lead Cabinet member: Councillor Alan Shuttleworth

12 East Sussex Business Rates Pilot 2019/20 (Pages 113 - 126)

Report of Chief Finance Officer
Lead Cabinet member: Councillor Stephen Holt

13 Wave Leisure services (Pages 127 - 134)

Report of Director of Tourism and Enterprise
Lead Cabinet member: Councillor Margaret Bannister

14 Local Development Scheme 2019-2022 (Pages 135 - 176)

Report of Director of Regeneration and Planning
Lead Cabinet member: Councillor Jonathan Dow

15 Housing delivery programme (Pages 177 - 186)

Report of Director of Regeneration and Planning
Lead Cabinet member: Councillor Alan Shuttleworth

16 Water and sewerage services (Pages 187 - 190)

Report of Director of Regeneration and Planning
Lead Cabinet member: Councillor Colin Swansborough

17 Exclusion of the public

The Chief Executive considers that discussion of the following items 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 reasons are shown beneath the items 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).

18 Community grants programme - small grants (Pages 191 - 206)

Report of Director of Regeneration and Planning
Lead Cabinet member: Councillor Alan Shuttleworth

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

19 Redundancy and redeployment (Pages 207 - 210)

Report of Assistant Director for Human Resources and Transformation
Lead Cabinet member: Councillor Colin Swansborough

Exempt information reasons 1 and 2: Information relating to an individual or likely to reveal the identity of an individual.

Information for the public

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Information for councillors

Disclosure of interests: Members should declare their interest in a matter at the beginning of the meeting.

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).

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

Democratic Services

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EASTBOURNE
Borough Council

Working in partnership with **Eastbourne Homes**

Cabinet

Minutes of meeting held in Court Room at Eastbourne Town Hall, Grove Road, BN21 4UG on 12 December 2018 at 6.00 pm

Present:

Councillor David Tutt (Chair)

Councillors Alan Shuttleworth (Deputy-Chair), Margaret Bannister, Jonathan Dow, Stephen Holt, Colin Swansborough and John Ungar

Officers in attendance:

Robert Cottrill (Chief Executive), Homira Javadi (Chief Finance Officer), Philip Evans (Director of Tourism & Enterprise), Ian Fitzpatrick (Director of Regeneration and Planning), Tim Whelan (Director of Service Delivery), Peter Finnis (Assistant Director for Corporate Governance) and Simon Russell (Committee and Civic Services Manager)

41 Minutes of the meeting held on 24 October 2018

The minutes of the meeting held on 24 October 2018 were submitted and approved and the chair was authorised to sign them as a correct record.

42 Apologies for absence

None were reported.

43 Declaration of members' interests

None were declared.

44 Corporate performance - quarter 2 2018/19

The Cabinet considered the report of the Chief Finance Officer (CFO) and Director of Regeneration and Planning, updating them on the Council's performance against Corporate Plan priority actions, performance indicators and targets over the quarter two period for 2018/19.

Visiting member, Councillor di Cara addressed the Cabinet and enquired about why the Sovereign Harbour Community Centre performance indicator had been flagged as green. The Chief Executive responded that all work to the building had been completed and the project was just awaiting finalisation of important documentation that was currently with third parties. Officers were

continuing to chase and had indicated that this would be completed by Christmas. Any updates would be communicated to Councillors. Thanks were expressed to Lisa Rawlinson, Head of Business Planning and Performance and Annie Wills, Head of Tourism and Enterprise for their continuous work and efforts.

Councillor Swansborough gave an update to the Cabinet on significant improvements that had been made to the call handling times and abandonment figures. Thanks were conveyed to all members of the Customer Contact Team.

Part B of the report detailed the Council's financial performance for the same quarter. It included that based on current projections, an additional net expenditure of £129,000 was projected. Further actions were being taken to ensure the final outturn position was within the approved budget.

Councillor Holt expressed his thanks to the council tax collection team for their significant work in achieving a surplus of £456,000 for the collection fund. The Council's share of the surplus was expected to be £58,000.

Resolved (Non-key decision):

(1) To note the achievements and progress against Corporate Plan priorities for 2018/19, as set out in Part A of the report.

(2) To agree the General Fund, HRA and Collection Fund financial performance for the quarter ended September 2018 as set out in part B of the report.

(3) To agree the amended capital programme as set out at appendix 4 to the report.

(4) To agree the Treasury Management performance as set out in section 5 in part B of the report.

Reason for decision:

To enable Cabinet members to consider specific aspects of the Council's progress and performance.

45 Draft budget proposals 2019/20

The Cabinet considered the report of the Chief Finance Officer (CFO), summarising the main elements of the emerging 2019/20 revenue budget that had arisen from the corporate and service financial planning process. The CFO added that faced with the lasting effects of the recent economic climate and subsequent reduction in core funding by the Government, the Council had identified the potential for further efficiencies, innovative working and sought commercial opportunities.

The report proposed a 2.99% increase in the Council tax to make a Band D charge of £264.84.

The Cabinet expressed thanks to officers for their forward thinking as the Council continued its journey towards self-sufficiency, identifying sources of income and reducing the reliance on diminishing central government funding.

Resolved (Key decision):

(1) To agree the draft budget proposals for consultation.

(2) To agree that subject to there being no material change in the government settlement that Cabinet is minded to propose a council tax rise of 2.99% for 2019/20 to make a Band D charge £246.84, in line with the current cap.

(3) To note the updated medium term financial strategy.

Reason for decision:

The Council is required by legislation to set a balanced budget. The report forms part of the process that will culminate in the Council Tax setting by the Council in February.

46 Council tax base and non-domestic rates income for 2019/20

The Cabinet considered the report of the Chief Finance Officer, seeking approval for the council tax base and net yield from Business Rate Income for 2019/20, in accordance with the Local Government Finance Act 1992, as amended in 2018/19.

Resolved (Key decision):

(1) To agree the provisional Council Tax Base of 34,765.3 for 2019/20.

(2) To agree that the Chief Finance Officer, in consultation with the Portfolio Holder for Finance, determine the final amounts for the Council Tax Base for 2019/20.

(3) To agree that the Chief Finance Officer, in consultation with the Portfolio Holder for Finance, determine net yield from Business Rate income for 2019/20.

Reason for decision:

Cabinet is required to approve the Tax Base which will be used for the purposes of calculating the 2019/20 Council Tax.

47 Community safety partnership annual report

The Cabinet considered the report of the Director of Regeneration and Planning, considering the current performance of the Eastbourne Community Safety Partnership.

Section 3.1 of the report detailed that the number of crimes reported in Eastbourne had increased in the last two years; however Eastbourne continued to be a low crime area compared with similar towns.

The report detailed the importance of working positively in partnership, highlighted by the multi-agency work with street communities.

The Cabinet expressed concerns about drug dealing in the Sussex area and a meeting was arranged with the Police and Crime Commissioner to request further funding to tackle the issues.

The Eastbourne Community Safety Partnership had also benefitted from an increase of funding and had been allocated £37,901 for its work in 2018/19 and £40,733 in 2019/20.

As they would be retiring in the New Year, the Cabinet expressed their sincere thanks to Pat Taylor, Strategy and Partnership Lead for Thriving Communities for all their work for the Council and wished her all the best for the future.

Resolved (Non key decision):

That Cabinet note the achievements and activities of the Eastbourne Community Safety Partnership during 2017/18 and future risks/opportunities to performance.

Reason for decision:

To consider progress on delivery of the current Community Safety Plan.

48 Sustainability policy

The Cabinet considered the report of the Director of Regeneration and Planning, introducing a sustainability policy for Eastbourne.

Scrutiny Committee considered and commented on the policy at its meeting on the 3 December 2018. These comments included potential clarifications and additions to the policy and were made available to the Cabinet in a briefing note submitted at the meeting.

Thanks were conveyed to Jane Goodall (Strategy and Partnership Lead for Quality Environment) and Kate Tradewell (Strategy and Corporate Projects Officer for Quality Environment) for their work in formulating the policy.

Resolved (Key decision):

To approve the Sustainability Policy for adoption.

Reason for decision:

To provide a policy frame work for Eastbourne Borough Council.

49 Sustainable energy investment feasibility

The Cabinet considered the report of the Director of Regeneration and Planning, seeking approval for funding to commission Clear Sustainable Futures to determine if there is an investable business case for the deployment of sustainable energy generation technology at the Sovereign Leisure Centre.

Resolved (Key decision):

(1) To delegate authority to the Chief Finance Officer and Director of Planning and Regeneration, in consultation with the Cabinet Member for Place Services to fund up to £25,000 for the commissioning of Clear Sustainable Futures to undertake the feasibility study of deploying sustainable energy generation at the Sovereign Leisure Centre

(2) To delegate authority to the Chief Finance Officer in consultation with CMT and the Cabinet Member for Place Services, to proceed with the recommended sustainable energy solution for the Sovereign Leisure Centre if this is demonstrated to be a viable investment up to a value of £1.45m.

(3) To note that a similar request is being made to Lewes District Council to progress viability analysis on their projects at Avis Way depot and Sutton Road and that the work is being conducted concurrently with knowledge being shared.

Reason for decision:

To reduce the carbon emissions of council developments; to enable the site to become a prosumer (a producer and consumer) of electricity and heat to reduce ongoing utility costs whilst also enabling income generation through provision of emerging grid flexibility services; to mitigate the impact of the development on the electrical grid and reduce utility costs.

50 Exclusion of the public

Resolved:

That the public be excluded from the remainder of the meeting as otherwise there was a likelihood of disclosure to them of exempt information as defined

in schedule 12A of the Local Government Act 1972. The relevant paragraph of schedule 12A and a description of the exempt information was shown below. (The requisite notice having been given under regulation 5 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.)

51 Community and housing grants - Major grants

The Cabinet considered the report of the Director of Regeneration and Planning regarding the allocation of the major and housing grants budgets 2019/20 to 2021/22 and to approve amendments to the Community and Housing Grants Policy covering State Aid and data protection.

Resolved (Key decision):

(1) To agree the allocation of the major and housing grant budgets as set out in the exempt report.

(2) To approve the additions to the Community and Housing Grants Policy as set out in the exempt report.

Reason for decision:

The proposed allocation of budgets is in line with the Council's Community and Housing Grants policy and the council's strategic priorities for Thriving Communities

The proposed amendments to the Community and Housing Grants Policy ensured that allocations of funding complied with current regulations.

Notes: (1) The report remained exempt. (2) Exempt information reason 3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information).

The meeting ended at 6.47 pm

Councillor David Tutt (Chair)

Body:	**Cabinet**
Date:	**6 February 2019**
Title:	**General Fund Revenue Budget 2019/20 and Capital Programme 2018/19- 2022/23**
Report Of:	**Chief Finance Officer**
Ward(s)	All
Purpose of Report:	To agree the detailed General Fund budget proposals for 2019/20 and Capital Programme 2018/22.
Decision Type:	Key Decisions requiring approval of Full Council.
Officer Recommendation:	Members are asked to recommend the following proposals to Full Council: (i) General Fund budget for 2018/19 (Revised) and 2019/20 (original) **Appendix 1** including growth and savings proposals for 2019/20 as set out in **Appendix 2**. (ii) An increase in the Council Tax for Eastbourne Borough Council of 2.99% resulting in a Band D charge of £246.77 for 2019/20. (iii) Revised General Fund capital programme 2018/22 as set out in **Appendix 3**. (iv) Notes the section s151 Officers sign off as outlined in 1.6.
Reason for recommendations:	The Cabinet has to recommend to Full Council the setting of a revenue budget and associated council tax for the forthcoming financial year by law.
Contact Officer(s):	Homira Javadi, Chief Finance Officer E-mail address: Homira.Javadi@lewes-eastbourne.gov.uk

1.0 Introduction

1.1 This report sets out the general fund revenue budget proposals for 2019/20 and a rolling medium term capital programme for 2018/22.

1.2 The Housing Revenue Account 2019/20 and associated capital programme, together with rent setting for 2019/20 is subject of a separate report elsewhere on this agenda.

1.3 The Council revised its Medium Term Financial Strategy (MTFS) in July 2018 and the Cabinet recommended a resulting draft 2019/20 budget proposal in December 2018 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 since 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
- Joint transformation programme with Lewes DC

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:

- An increase in the Council Tax in 2019/20 of 2.99%.
- Dealing with further reductions in Government funding of £0.445m.
- Overall savings/new income totalling £1.7m (13% of the net budget).
- Efficiency savings of £0.6m (2% of the net budget).
- New and increased income £1.1m (8% of the net budget).
- Inflation and unavoidable costs of £0.6m (2% of the net budget.
- Other recurring service growth of £1.1m.

- Non recurring service investments met from general reserves of £0.5m.
- Non recurring investment from Devonshire Park reserve £0.7m.
- General Reserves averaging at £4m (against the existing minimum recommended of £2m).

2.2 The budget represents continued management of financial risks by:

- Building on a balanced outturn position.
- Balancing the base budget requirement without needing to use reserves for recurring expenditure.
- Managing the new and increased demand on services, such as homelessness.
- Identifiable and deliverable savings with accountability and no general unidentified targets.
- Reserves above the minimum level.
- Providing the funding required for the Joint Transformation Programme to deliver the future savings required by the MTFS as well as capital investments in revenue generating assets.

3.0 2019/20 General Fund Resources

Government Funding

3.1 The underlying methods of Local Government financing have changed significantly in recent years including the wrapping up of grants in the base "Standard Funding Assessment" notably:

- The council tax freeze grants (2011-15)
- Some new burdens grants
- Homelessness grant
- Grant for Flood Defence Levy

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

- A further reduction in revenue support grant of £0.445m to nil.
- Further reduction in new homes bonus of £0.156m from the 2018/19 level.
- A real reduction in resources from Government of over 40% over the period to 2016-2020.

3.3 The NNDR business rate base has remained volatile largely as a result of the economic uncertainty, continued provision for appeals and resulting collection fund deficit, despite an inflationary increase which is linked to the September 2018 CPI and a potential overall increase yet to be confirmed in the gross rateable values. The Government will reassess the "needs formula" to reflect demand for services and adjust redistribution accordingly from 2020 onwards.

Following the government's invitation for authorities to submit an application for the 75% business rates retention pilot and success of East Sussex submission, the Council is likely to benefit from an additional £200k retained income.

3.4 The Government has announced that Eastbourne will receive just under £0.2m in total of new homes bonus due to the growth in housing in the area (a reduction of £0.2m on the projection) The settlement reduced the period from 6 to 4 years that NHB is payable as well as a minimum threshold of 0.4% increase in Band D equivalents before qualifying.

3.5 The Government approved the Council's joint efficiency statement and application for the 4-year settlement (to 2020). Over 97% of Councils have opted for the fixed settlement including all neighbouring authorities.

Council Tax

3.6 The proposal is for an increase in council tax of 2.99% for 2019/20 which results in a Band D rate of £246.77 for Council services.

3.7 The Council has to give an indication of likely future council tax rises, it is still expected that council tax will rise in line by inflation 2% to 3% per annum for each of the next three years. This is within the Government's target for inflation (1-3%) and also the current ceiling on rises that would otherwise require a referendum.

3.8 Within this context, for 2019/20, the Council will raise £8.6m 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 £246.77 per annum.

3.9 In addition, there is a distribution of £0.58m payable to EBC to the collection fund due to a collection fund surplus.

3.10 **Summary – 2018/19 Resources**

A summary of the resources available is shown below:

Source:	**£'m**
Government formula grant	(0.0)
Other grants	(0.2)
Retained business rates	(4.4)*
New Homes Bonus	(0.2)
Contribution from East Sussex Business Rate Pool	(0.2)
Collection Fund Surplus	(0.1)
Council tax	(8.6)
Total Resources Available	**(13.7)**

**To be finalised*

3.11 In order to achieve a balanced budget without using reserves for recurring expenditure, the Council needs to set a net recurring budget for 2019/20 of £13.7m. In addition, the Council will fund non-recurring investments of £0.5m from reserves as well as £0.7m from the Specific Devonshire Park reserve.

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	2019/20 £'m
Housing Benefit Subsidy	(50)*
H B Administration Grant	(0.4)

* *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 maintained its good performance in recent years.

The system of universal credit (UC) is due to be completed in this parliament which will see the caseload moved to the Department for Work and Pensions. Currently only new applicants are put on universal credit. The main rollout of UC in Eastbourne started in 2017, in line with most of local authorities caseloads remain constant resulting in an increase in Housing Rent arrears, and the number of families presenting as homelessness with a reduction in the private sector rental market.

The Housing Benefit admin grant has been reduced by at least 5% per annum for the last 7 years from £0.8m to £0.4m. The caseload has reduced only marginally in that time, and additional complexity has been introduced as part of the welfare reform programme.

4.3 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. The government did announce a special grant for homelessness prevention during 2019/20.The Council has adopted a affective homeless prevention model to reduce the cost of families put into temporary accommodation. Homelessness continues to present a significant financial risk to the Council as not all costs are funded by Housing Benefit.

4.4 New Homes Bonus:

This was introduced in 2011/12 (£187,000) and grew to £1.040m in 2016/17 awards are currently guaranteed for four years which is a change from the original scheme which was 6 years. The Government has top-sliced an amount

equivalent to 0.4% growth to divert resources to upper tier authorities for adult care services. Further reductions down to approximately £0.2m per annum are expected by 2020.

5.0 Budget movements 2017/18 to 2018/19

5.1 The detailed budget proposals are set out in **(Appendix 1)** show in detail the movement from the 2018/19 budget to the 2019/20 proposed budget. The movements are summarised below: -

5.2

Movement from 2017/18 Base Budget:		**£m Total**
Change in resources:		
Government grants	0.7	
Council Tax	(0.2)	
Business Rates	(0.5)	0.0
Cost increases:		
Inflation and unavoidable costs	0.6	
Other growth and changes in income	1.1	1.7
Savings:		
Efficiency savings	(0.6)	
Increased Income/other changes	(1.1)	(1.7)
		0

5.3 If Cabinet approves the proposals set out in the report it will be able to recommend to Council on 20th February a balanced budget in line with available resources without the need to use reserves for recurring expenditure.

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 2019/20. 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 Joint transformation programme and income generation initiatives.

5.5 The Government set out a revised four year programme of reductions in funding and the Council's current MTFS already takes account of this overall however the MTFS will be refreshed in July following the year-end outturn for 2018/19.

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 2019/20 budget are: -

- Economic uncertainty
- Housing Benefit Performance
- Welfare reform and Homelessness
- Inflation on goods and services
- Income from services linked to customer choice (theatres, tourism; sports centres, car parking)
- Legal challenges
- Savings or new income streams being delayed
- Excessive demand for services
- Failure to realise capital receipts to finance the capital programme

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 2019/20.

6.3 Contingencies

The 2019/20 budget includes appropriate levels of corporate contingency budget to allow for unexpected expenditure or reductions in income. This is in addition to the known inflation that has been built into the service budgets and reserves.

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:

Risk	£m
Unexpected Events e.g. flooding, major storm in excess of Bellwin Scheme provision	0.2
Significant financial overruns e.g. prior year negative Housing Benefits subsidy adjustments/homelessness and costs of welfare reform.	0.7
Exceptional fluctuations in income that have a major corporate impact	0.7
Cost of providing priority services during an incident or emergency in excess of insurance cover	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 albeit with some revision to the categories. 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 reserves is projected at over £4m by March 2019 **(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.

6.5 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).

6.6 Chief Finance Officer sign off

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 2018/2022

7.1 The principles for formulating the capital programme were set out in the draft budget report submitted to Cabinet on 12th December 2018. All schemes have been agreed by the Council previously.

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 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.

7.4 No future capital receipts have been factored into the available resource where there is not a significant chance of them materialising. There will be opportunities to supplement the programme as the three-year period progresses.

8.0 Consultation

8.1 The Council's medium term financial strategy and the resulting draft budget proposal for 2019/20 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 meetings in December and February.

9.0 Financial

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

10.0 Legal Implications

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

10.2 Sections 32 and 43 of the Local Government Act 1992 require local authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating their budget requirement.

10.3 The Chief Finance Officer, appointed under sec 151 mentioned above, has a duty to report on the robustness of estimates and adequacy of reserves under section 25 of the Local Government Act 2003.

11.0 Risk Management Implications

11.1 A full risk assessment was provided as part of the MTFS approved by Cabinet in December 2018.

12.0 Conclusion

The Council is reasonably placed financially to meet the demands on its services as well as the reductions in Government support. However, the challenge over the medium term is profound and more change is necessary to move to a sustainable position. The Council is more dependent on commercial activities than it has ever been and this requires a high level of monitoring and risk

management.

13.0 Appendices

1. General Fund Revenue Budget 2018/19
2. Savings and Growth Items 2019/20
3. Revised General Fund Capital Programme 2018/22

14.0 Background Papers:

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

Cabinet reports

December 2018

- Council Tax Base for 2019/20
- Draft Budget Proposals 2019/20

July 2018 – Medium Term Financial Strategy

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

General Fund Revenue Budget 2018/19 **Appendix 1**

	2018/19 Original Budget £'000	2018/19 Revised Budget £'000	2019/20 Budget £'000
Corporate Services			
Corporate Management	169	(1,786)	153
Strategic Finance	2,068	2,073	2,147
Human Resources	478	452	462
Business Transformation	1,685	1,648	1,662
Legal and Local Democracy	931	923	941
	5,331	**3,310**	**5,365**
Service Delivery			
Service Management	(17)	15	6
Case Management and Specialist Services	4,344	3,058	3,392
Customer and Neighbourhood Services	1,392	947	1,052
Homes First	(28)	105	511
	5,691	**4,125**	**4,961**
Regeneration and Planning			
Service Management	63	32	(167)
Regeneration	143	189	185
Planning	259	508	391
Estates and Property	(2,010)	(1,378)	(1,663)
Business Planning and Performance	908	916	955
	(637)	**267**	**(299)**
Tourism and Enterprise Services			
Service Management	95	93	99
Towner	423	423	420
Tourism and Enterprise	1,088	1,003	1,024
Sports Delivery	238	238	268
Seafront	(14)	(11)	(44)
Events	611	620	638
Theatres	1,006	1,012	1,091
	3,447	**3,378**	**3,496**
Corporate Services	**(1,278)**	**(311)**	**(463)**
Capital Financing	**2,054**	**2,063**	**1,763**
Net Service Expenditure	**14,608**	**12,832**	**14,823**
Contributions to/(from) Unearmarked Reserves	(479)	1,297	(538)
Contributions to/(from) Earmarked Reserves	-		
Contributions to/(from) Strategic Change Fund	-		
Contributions to/(from) Capital Programme Reserve	-		
Contributions to/(from) Devonshire Park Reserve	(633)	(633)	(739)
Eastbourne Borough Council Budget Requirement	**13,496**	**13,496**	**13,546**
Financed by			
Government Formula Grant	(445)	(445)	-
New Homes Bonus	(339)	(339)	(183)
Other Specific Government Grants	(195)	(195)	(132)
Retained Business Rates	(3,388)	(3,388)	(4,394)
Contribution from Reserves	(450)	(450)	
Contribution from East Sussex Business Rate Pool	(266)	(266)	(200)
Contribution from Council Tax Surplus	(179)	(179)	(58)
Council Tax Collection Fund Precept	(8,234)	(8,234)	(8,579)
Total Financing	**(13,496)**	**(13,496)**	**(13,546)**

General Fund Revenue Budget 2018/19 **Appendix 1**

	2018/19 Original Budget £'000	2018/19 Revised Budget £'000	2019/20 Budget £'000
General Fund Reserve			
In hand at 1st April	(3,137)	(3,033)	(3,116)
Financing of Non Recurring Expenditure	479	479	538
Financing of Revenue Expenditure		450	
Transfer from Earmarked Reserves	-	(12)	-
Withdrawal/(Addition)	(550)	(1,000)	
In hand at 31st March	**(3,208)**	**(3,116)**	**(2,578)**
Strategic Change Fund			
In hand at 1st April	(8)	(8)	(158)
Withdrawal/(Addition)	(250)	(400)	
Financing Revenue Expenditure	250	250	150
In hand at 31st March	**(8)**	**(158)**	**(8)**
Capital Programme Revenue Reserve			
In hand at 1st April	(1,573)	(1,306)	(1,306)
Withdrawal/(Addition)	-	-	-
Financing expenditure	-	-	-
In hand at 31st March	**(1,573)**	**(1,306)**	**(1,306)**
Regeneration Reserve			
In hand at 1st April	(65)	(531)	(398)
Withdrawal/(Addition)	-	-	-
Financing of Revenue Expenditure	-	133	-
In hand at 31st March	**(65)**	**(398)**	**(398)**
Devonshire Park Reserve			
In hand at 1st April	(634)	(1,488)	(1,133)
Withdrawal/(Addition)		(278)	
Financing of Expenditure	633	633	739
In hand at 31st March	**(1)**	**(1,133)**	**(394)**

Corporate Services Budget 2018/19 **Appendix 1**

	2018/19 Original Budget £'000	2018/19 Revised Budget £'000	2019/20 Budget £'000
Corporate Management	**169**	**(1,786)**	**153**
Financial Services Team	645	650	682
Corporate Finance	1,216	1,223	1,254
Internal Audit and Corporate Fraud	207	200	211
Strategic Finance	**2,068**	**2,073**	**2,147**
Human Resources	**478**	**452**	**462**
Business Transformation	**1,685**	**1,648**	**1,662**
Legal Services	272	305	334
Local Democracy	659	618	607
Legal and Local Democracy	**931**	**923**	**941**
Total Corporate Services	**5,331**	**3,310**	**5,365**

Service Delivery Budget 2018/19 **Appendix 1**

	2018/19 Original Budget £'000	2018/19 Revised Budget £'000	2019/20 Budget £'000
Service Management	**(17)**	**15**	**6**
Service Management	NIL	37	38
Case Management	672	471	437
Account Management	461	323	276
Specialist Advisory	4,495	3,535	4,041
Bereavement Services	(1,284)	(1,308)	(1,400)
Case Management and Specialist Services	**4,344**	**3,058**	**3,392**
Service Management	NIL	25	26
Customer Contact	828	539	579
Neighbourhood First	564	383	447
Customer and Neighbourhood Services	**1,392**	**947**	**1,052**
Homes First	(28)	105	511
Total Service Delivery	**5,691**	**4,125**	**4,961**

Strategy, Planning and Regeneration
Budget 2018/19

Appendix 1

	2018/19 Original Budget £'000	2018/19 Revised Budget £'000	2019/20 Budget £'000
Service Management	**63**	**32**	**(167)**
Regeneration	**143**	**189**	**185**
Planning	**259**	**508**	**391**
Group Head of Commercial Business	38	37	54
Housing Development Team	NIL	NIL	NIL
Corporate Landlord	(2,549)	(1,890)	(2,125)
Facilities Management	501	475	408
Estates and Property	**(2,010)**	**(1,378)**	**(1,663)**
Business Planning and Performance	**908**	**916**	**955**
Total Regeneration and Planning	**(637)**	**267**	**(299)**

Tourism Enterprise Budget 2018/19 **Appendix 1**

Tourism & Enterprise Services	2018/19 Original Budget £'000	2018/19 Revised Budget £'000	2019/20 Budget £'000
Service Management	95	93	99
Towner	423	423	420
Tourism and Enterprise	1,088	1,003	1,024
Sports Delivery	238	238	268
Seafront	(14)	(11)	(44)
Events	611	620	638
Theatres	1,006	1,012	1,091
Total Tourism & Enterprise Services	**3,447**	**3,378**	**3,496**

Summary

	December Cabinet 2019/20 £'000	February Cabinet 2019/20 £'000
Savings or Income Generation		
Corporate Services	(566)	(1,166)
Service Delivery	(242)	(242)
Regeneration and Planning	(237)	(237)
Tourism and Enterprise	(35)	(59)
TOTAL Savings or Income Generation	**(1,080)**	**(1,704)**
Growth Items		
Corporate Services	965	965
Service Delivery	15	440
Regeneration and Planning	135	135
Tourism and Enterprise	192	178
TOTAL Growth	**1,307**	**1,718**
Non-Recurring Growth		
Corporate Services	215	215
Service Delivery	141	141
Regeneration and Planning	114	114
Tourism and Enterprise	68	68
TOTAL Non Recurring Growth	**538**	**538**
Funding from Devonshire Park Reserves	**739**	**739**
Total Budget Movement	**1,504**	**1,291**

CORPORATE SERVICES

	December Cabinet 2019/20 £'000	February Cabinet 2019/20 £'000
SAVINGS		
Corporate Services		
Joint Transformation Programme	(200)	(200)
Commercial Income	(100)	(100)
Contribution from HRA towards JTP	(250)	(250)
Captial Financing	0	(600)
IT		
DR Contract	(10)	(10)
Canon Contract	(1)	(1)
HR		
Provision of HR support to external organisation, 3VA	(5)	(5)
New Saving and Income Proposals	**(566)**	**(1,166)**
GROWTH ITEMS		
Corporate		
Pay Award and Increments	300	300
Pension Contributions	30	30
National Living Wage	20	20
Inflation	250	250
Captial Financing	300	300
Emergency Planning		
East Sussex Emergency Partnership	13	13
Local Democracy		
Audio minutes add on for Modern.Gov	2	2
ADSO Certificate in Democratic Services Knowledge	3	3
Tellus - Data mining module	2	2
Atlas - Boundary review and boundary changes module	1	1
Legal		
Apprentice Paralegal	9	9
IT		
PSN Compliance	7	7
Blackberry Licence and Support	18	18
Cloud Storage	5	5
UPS Maintenance	2	2
PCIDSS Scans	3	3
TOTAL GROWTH ITEMS	**965**	**965**
NON RECURRING GROWTH ITEMS		
JTP implimenation assumed revenue exp	200	200
Members Allowances review - Money carried over as not used this financial year	5	5
Recruitment of HR apprentice	10	10
TOTAL NON RECURRING GROWTH ITEMS	**215**	**215**

Direct Service Delivery

	December Cabinet 2019/20 £'000	February Cabinet 2019/20 £'000
SAVINGS OR INCOME GENERATION		
Envirnomental Efficiences	(150)	(150)
Bereavement		
Increased burial and cremation costs by 2.4%	(92)	(92)
TOTAL Savings or Income Generation	**(242)**	**(242)**
GROWTH ITEMS		
Customer and Neighhourhood First		
New Bus shelters, Eastbourne Town Centre	10	10
Community Engagement activities for Neighbourhood First fly tipping, littering, and other ASB activities. Purchasing of litter picking equipment, posters, signage etc	2	2
Specialist & Case Management		
Ash Die Back	1	1
Welfare funerals	2	2
Shortfall in HB Admin grant	0	40
Recycling credits expected to cease in 19-20	0	385
TOTAL GROWTH ITEMS	**15**	**440**
NON RECURRING GROWTH ITEMS		
Customer and Neighbourhood Services		
Car park machines	25	25
Upgrade customer terminals	15	15
Specialist & Case Management		
Empty Homes review to maximise the NHB	10	10
Annual SPD review	13	13
NNDR Bid software	22	22
Bed and Breakfast	56	56
TOTAL NON RECURRING GROWTH ITEMS	**141**	**141**

Regeneration and Planning

	December Cabinet 2019/20 £'000	February Cabinet 2019/20 £'000
SAVINGS AND INCOME		
Efficiency Savings	(200)	(200)
Property and Facilities		
Property Asset Management System	(9)	(9)
Building Control Contract	(13)	(13)
Business Planning and Performance		
Pentana systems maintenance	(11)	(11)
Grant Finder	(4)	(4)
Regeneration		
New Saving and Income Proposals	**(237)**	**(237)**
GROWTH ITEMS		
Property and Facilities		
Coindition Surveys	50	50
Eastbourne Downs Golf Club	40	40
Business Planning and Performance		
Gov Delivery	7	7
Press Office	36	36
Planning		
BCIS online subscription	2	2
TOTAL GROWTH ITEMS	**135**	**135**
NON RECURRING GROWTH ITEMS		
Smart Survey	1	1
Langney Community Hall	9	9
Bandstand PC	6	6
Minimum Energy Efficenty Standards	10	10
Rating Revlautions	5	5
Downland Whole Estate Plan	43	43
Planning Policy		
Terra Quest	40	40
TOTAL NON RECURRING GROWTH ITEMS	**114**	**114**

Tourism and Enterprise

	December Cabinet 2019/20 £'000	February Cabinet 2019/20 £'000
New Saving and Income Proposals		
Towner		
Beachy Head Marathon	(5)	(5)
Bandstand	(30)	(30)
Pavilion Café		(24)
Total Savings or Income Generation	**(35)**	**(59)**
GROWTH ITEMS		
Tourism and Enterprise		
Conference Marketing	8	8
Pavilion Café	14	0
Western View	4	4
EDGC - realistic budget for golf	40	40
Victoria Mansions Business Rates	7	7
Sports Delivery		
Cavendish Sports Centre	13	13
Events		
Airbourne	62	62
Dev Park Grass waste disposal costs	3	3
Events Admin	8	8
Nature valley Int Tennis	33	33
TOTAL GROWTH ITEMS	**192**	**178**
NON RECURRING GROWTH ITEMS		
Tourism and Enterprise		
Temporary exhibition Victoria Mansions	50	50
Events		
Dev Park Chemicals	5	5
Dev Park Trees Maintenance	3	3
Dev Park Landscape works	3	3
Events Development	2	2
Airbourne HVM Road Closure Traffic	5	5
TOTAL NON RECURRING GROWTH ITEMS	**68**	**68**
Devonshire park business plan	739	739
TOTAL FUNDING FROM DEVONSHIRE PARK RESERVE	**739**	**739**

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Summary of General Fund Capital Programme 2018 to 2022				
	Estimate Total	**Estimate Total**	**Estimate Total**	**Estimate Total**
	2018/19	**2019/20**	**2020/21**	**2021/22**
Capital Programme	**£000**	**£000**	**£000**	**£000**
Community Services	2,488	7,222	300	-
Tourism & Leisure	1,739	12,655	15,165	-
Corporate & Core Services	11,029	43,440	11,830	2,925
Asset Management	32,011	2,994	821	500
Pier Grant & Coastal Communites Grant	1,696	-	-	-
Total Programme	**48,963**	**66,311**	**28,116**	**3,425**
Financed By:-				
1-4-1 RTB Receips	315	998	-	-
Capital Receipts	1,511	1,196	250	425
Grants and Contributions	3,420	8,162	300	-
Revenue Contribution to Capital	58	491	-	-
Reserves	917	-	-	-
Section 106 Contributions	18	27	-	-
GF Borrowing (Committed)	42,714	29,041	15,986	500
GF Borrowing (Uncommitted)	10	26,396	11,580	2,500
Total Financing	**48,963**	**66,311**	**28,116**	**3,425**

Scheme	Total Scheme Approved	Total Scheme spend at 31 Mar 2018	Updated Allocation 2018-19	Updated Allocation 2019-20	Updated Allocation 2020-21	Updated Allocation 2021-22
	£000	£000	£000	£000	£000	£000
COMMUNITY SERVICES						
Memorial Safety Cems	40	15	25	-	-	-
Ocklynge Cemetery Chapel	150	80	70	-	-	-
Crematorium Improvements (Main Chapel)	177	-	177	-	-	-
Disabled Facilities Grants	Ongoing	4,686	825	2,556	-	-
BEST Grant (housing initiatives)	Ongoing	2,035	96	82	-	-
Acquisition of Land & Property	2,019	-	40	1,979	-	-
Contaminated Land	185	145	40	-	-	-
Coast Defences Beach Management	Ongoing	5,871	302	300	300	-
Cycling Strategy	41	-	-	41	-	-
Play Area Sovereign Harbour	27	-	-	27	-	-
Terminus Road Improvements	500	-	50	450	-	-
Sov Harbour Community Centre	1,790	1,097	693	-	-	-
Hampden Park - Improvements (Green Flag)	50	48	2	-	-	-
Old Town Rec. - Improvements (Green Flag)	25	22	3	-	-	-
Seaside Rec - all weather path	50	48	2	-	-	-
Signage Re-branding (Parks & Open Spaces)	30	5	25	-	-	-
Car Parking Machines	97	66	25	-	-	-
Shinewater Park - Scoping	20	-	10	10	-	-
Helen Gardens Play Equip	40	39	1	-	-	-
Chiltern Close Play Equip	25	-	25	-	-	-
Oak Tree Lane Play Equip	35	-	18	17	-	-
Mulberry Close Play Equip	30	-	-	30	-	-
Lower Holywell Public Con	50	-	-	50	-	-
Redoubt Public Convenience	40	-	-	40	-	-
Refurbishment of Public Facilities	81	-	41	40	-	-
West Langney Lake Gates & Signs	18	-	18	-	-	-
Waste Fleet Procurement & IT	1,600	-	-	1,600	-	-
Total Community Services		**14,157**	**2,488**	**7,222**	**300**	**-**
TOURISM & LEISURE						
Sports Park Flood Lights	30	-	30	-	-	-
Re-surface Tennis Courts	265	242	23	-	-	-
ILTC - Air Conditioning	87	-	87	-	-	-
Redoubt - Stair Climber	20	-	-	20	-	-
Colonnade Removal	500	-	-	500	-	-
Redoubt - Asphalt Gun Platform	50	-	-	50	-	-
HPSC - Changing Rooms	20	-	20	-	-	-
Equipment at Devonshire Park	120	66	54	-	-	-
Sovereign Centre	29,100	711	1,339	11,885	15,165	-
Sovereign Centre Skate Park	200	-	-	200	-	-
Wash Down - Devonshire Park	20	19	1	-	-	-
Seafront Van	13	-	13	-	-	-
Sports Park Lighting	60	-	60	-	-	-
Signage	10	1	9	-	-	-
Devonshire Park Theatres - Toilet refurbishment	103	-	103	-	-	-
Total Tourism & Leisure		**1,039**	**1,739**	**12,655**	**15,165**	**-**

CORPORATE SERVICES						
Carbon Reduction Works	434	235	-	199	-	-
Invest to Save	Ongoing	-	10	80	80	-
Investment Capital	5,600	1,235	-	4,365	-	-
IT - Block Allocation	Ongoing	1,238	490	-	-	175
Contingency	Ongoing	-	-	250	250	250
Finance Transformation	200	-	-	200	-	-
EHIC - Loan (Gowland Ct)	1,850	1,835	15	-	-	-
EHIC - Revolving Credit	250	160	155	-	-	-
EHIC - Loan Facility (EBC purchases)	3,938	913	42	2,983	-	-
EHIC - Loan Facility (Private Properties)	15,000	2,481	2,285	5,233	2,500	2,500
EHIC - new mixed tenure homes	20,000	-	-	14,000	6,000	-
EHIC - Victoria Mansions	4,035	3,070	965	-	-	-
Aspiration Homes - Credit facility	100	-	100	-	-	-
Aspiration Homes - Facility	10,000	369	917	5,714	3,000	-
Bedfordwell Road - Land & Pump House	6,100	2,151	2,000	1,949	-	-
HPK Retail Refurbishment	9,000	252	2,000	6,748	-	-
The Stage Door	2,030	1,667	363	-	-	-
JTP Programme Office	8,278	4,872	1,687	1,719	-	-
Total Corporate Services		**20,478**	**11,029**	**43,440**	**11,830**	**2,925**
Asset Management						
Devonshire Park Redevelopment Project	53,960	19,903	31,242	2,494	321	-
Victoria Mansions - Museum fit out	85	-	85	-	-	-
Holiday Letting Refurbishment	30	-	30	-	-	-
EDGC - improvements	45	41	4	-	-	-
Towner - improvements	125	14	111	-	-	-
ILTC - Improvements	60	-	60	-	-	-
Devonshire Park Theatre	47	-	47	-	-	-
Bandstand Renovations	100	-	100	-	-	-
Wish Tower Martello - Improvements	90	-	90	-	-	-
Downland Water Schemes (Pipes)	334	-	134	200	-	-
Boilers at Sports centres	32	-	32	-	-	-
Asset Management - Block Allocation		-	76	300	500	500
Total Asset Management		**19,958**	**32,011**	**2,994**	**821**	**500**
Grant Funded Schemes						
Wish Tower Restaurant	1,800	126	1,674	-	**-**	**-**
Statue Sculpture Installation	22	1	22	-	**-**	**-**
Total Grant Funded Schemes		**127**	**1,696**	**-**	**-**	**-**
Total General Fund		**55,759**	**48,963**	**66,311**	**28,116**	**3,425**

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Body:	**Cabinet**
Date:	**6 February 2019**
Subject:	**Treasury Management and Prudential Indicators 2019/20, Capital Strategy & Investment Strategy**
Report of:	**Chief Finance Officer**
Cabinet member:	**Councillor Holt, Portfolio Holder for Financial Services**
Ward(s):	**All**
Purpose of the report:	**To approve the Council's Annual Treasury Management Strategy, Capital Strategy & investment Strategy together with the Treasury and Prudential Indicators for the next financial year.**
Decision type:	**Key Decision**
Recommendation:	**Cabinet is asked to recommend the following proposals to full Council :** **i) The Treasury Management Strategy and Annual Investment Strategy as set out in this report and Appendix 4.** **ii) The methodology for calculating the Minimum Revenue Provision set out at paragraph 2.3 and Appendix 2** **iii) The Prudential and Treasury Indicators as set out in this report.** **iv) The Specified and Non-specified Investment categories listed in Appendix 5** **v) Approve the Capital Strategy set out in Appendix 1.** **Cabinet is recommended to note the extended role of the Chief Financial Officer as set out in Appendix 7.**
Reasons for recommendations:	**It is a requirement of the budget setting process for the Council to review and approve the Prudential and Treasury indicators, Treasury Strategy, Capital Strategy and Investment Strategy.**
Contact:	**Janet Martin, Principal Accountant** **Telephone 01323 415983 or internally on extension 5983.** **E-mail address: janet.martin@lewes-eastbourne.gov.uk**

1.0 Introduction

1.1 The Prudential and Treasury Indicators and Treasury Strategy covers:

- the capital 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);
- Capital Strategy.

1.2 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 which the council seeks to achieve the treasury management strategy and prescribes how it manages and controls those activities.

1.3 CIPFA defines treasury management as:

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

1.4 Revised reporting is required for the 2019/20 reporting cycle due to revisions of the MHCLG Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes include the introduction of a capital strategy, to provide a longer-term focus to the capital plans, and greater reporting requirements surrounding any commercial activity undertaken under the Localism Act 2011. The capital strategy is attached at Appendix 1.

The Capital Strategy provides the following:

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

The aim of this capital strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

2.0 THE CAPITAL PRUDENTIAL INDICATORS 2017/18 – 2021/22

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	**2017/18 Actual**	**2018/19 Estimate**	**2019/20 Estimate**	**2020/21 Estimate**	**2021/22 Estimate**
Non-HRA	20.6	40.1	21.6	16.5	0.9
HRA	6.3	5.5	5.6	4.4	4.4
Commercial Activities/Non-financial investments	24.4	8.9	44.7	11.6	2.5
Total	51.3	54.5	71.9	32.5	7.8
Financed by:					
Capital receipts	1.4	2.3	3.7	0.2	0.4
Capital grants	9.9	3.6	8.2	0.3	0.0
Capital reserves	4.9	5.9	4.3	4.4	4.4
Revenue	0.0	0.1	0.5	0.0	0.0
Net borrowing needed for the year	**35.1**	**42.6**	**55.2**	**27.6**	**3.0**

The above figures include uncommitted borrowing i.e. borrowing which has been approved but schemes have not yet been identified and will only proceed if they are financially advantageous.

The net financing need for commercial activities / non-financial investments included in the above table against expenditure is shown below:

Commercial activities /non-financial investments £m	**2017/18 Actual**	**2018/19 Estimate**	**2019/20 Estimate**	**2020/21 Estimate**	**2021/22 Estimate**
Capital Expenditure	24.4	8.9	44.7	11.6	2.5
Financing Costs	0.4	0.2	1.1	0.3	0.1
Net Financing Need for the Year	24.8	9.1	45.8	11.9	2.6
Percentage of total net financing need %	48.4%	16.3%	62.2%	35.7%	32.1%

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.

The CFR includes other long term liabilities (e.g. Serco, 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 £0.5m of such schemes within the CFR.

The Council is asked to approve the CFR projections below:

£m	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Capital Financing Requirement					
CFR – non housing	55.6	112.5	130.8	189.9	200.1
CFR - housing	42.6	42.6	42.6	42.6	42.6
Commercial Activities/non-financial investments	24.4	8.9	44.7	11.6	2.5
Total CFR	**122.6**	**164.0**	**218.1**	**244.1**	**245.2**
Movement in CFR	**33.7**	**41.4**	**54.1**	**26.0**	**1.1**

Movement in CFR represented by					
Net financing needed for the year (above)	35.1	42.6	55.2	27.6	3.0
Less MRP/VRP and other financing movements	(1.4)	(1.2)	(1.1)	(1.6)	(1.9)
Movement in CFR	**33.7**	**41.4**	**54.1**	**26.0**	**1.1**

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 is approved:

- 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 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.
  - Annuity method – based on a straight line (EIP – Equal Instalment Payment) approach.

No revenue charge is currently required for the HRA. However if the HRA is

required to charge depreciation on its assets, this would 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.

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

There is no requirement to set aside a prudent provision for capital expenditure by way of loan (e.g. Eastbourne Housing Investment Co Ltd (EHIC) or investments (e.g. LAMS) which will be repaid in full at a future date.

A comprehensive view of the Council's MRP Policy can be found at Appendix 2.

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. 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:

2.5 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.

%	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Non-HRA	10.3	12.1	13.2	17.2	22.6
HRA	12.3	13.0	13.0	10.3	9.0

The estimates of financing costs exclude uncommitted borrowing.

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 2018, 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.

£m	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
External borrowing					
Borrowing at 1 April	66.2	101.2	143.8	199.0	226.6
Expected change in borrowing	35.0	42.6	55.2	27.6	3.0
Other long-term liabilities (OLTL)	0.8	0.5	0.1	0.0	0.0
Expected change in OLTL	(0.3)	(0.4)	(0.1)	0.0	0.0
Actual gross borrowing at 31 March	**101.7**	**143.9**	**199.0**	**226.6**	**229.6**
CFR – the borrowing need	122.6	164.0	218.1	244.1	245.2
Under borrowing	20.9	20.1	19.1	17.5	15.6

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

	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Actual Debt at 31 March £m	24.4	8.9	44.7	11.6	2.5
Percentage of total external debt %	20%	5%	20%	5%	1%

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 2018/19 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	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Borrowing	97.7	155.0	173.4	232.5	242.7
Other long term liabilities	0.5	0.1	0.0	0.0	0.0
Commercial activities / non-financial investments	24.4	8.9	44.7	11.6	2.5
Total	122.6	164.0	218.1	244.1	245.2

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

Authorised limit £m	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Borrowing	112.7	170.0	188.4	247.5	257.7
Other long term liabilities	0.5	0.1	0.0	0.0	0.0
Commercial activities / non-financial investments	24.4	8.9	44.7	11.6	2.5
Total	137.6	179.0	233.1	259.1	260.2

Separately, the Council was also limited to a maximum HRA CFR through the HRA self-financing regime of £42.6m, which is included in the authorised limits above.

In October 2018, Prime Minister Theresa May announced a policy change of abolition of the HRA debt cap. The Council has not yet reached a view of how this will change the Council's approach to borrowing and investment, beyond that it is likely to do so.

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

Link Asset Services Interest Rate View	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75%	0.75%	1.00%	1.00%	1.00%	1.00%	1.25%	1.25%	1.50%	1.50%	1.50%	1.75%	1.75%	2.00%
3 Month LIBID	0.80%	0.80%	0.90%	1.10%	1.10%	1.20%	1.40%	1.50%	1.60%	1.60%	1.70%	1.80%	1.90%	2.00%
6 Month LIBID	0.90%	0.90%	1.00%	1.20%	1.20%	1.30%	1.50%	1.60%	1.70%	1.70%	1.80%	1.90%	2.00%	2.10%
12 Month LIBID	1.00%	1.00%	1.10%	1.30%	1.30%	1.40%	1.60%	1.70%	1.80%	1.80%	1.90%	2.00%	2.10%	2.20%
5yr PWLB Rate	2.00%	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%
10yr PWLB Rate	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.20%
25yr PWLB Rate	2.90%	3.00%	3.00%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%	3.60%	3.70%
50yr PWLB Rate	2.70%	2.80%	2.80%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.40%	3.50%

The flow of generally positive economic statistics after the quarter ended 30 June meant that it came as no surprise that the MPC came to a decision on 2 August to make the first increase in Bank Rate above 0.5% since the financial crash, from 0.5% to 0.75%. However, the MPC emphasised again, that future Bank Rate increases would be gradual and gave an indication that rates may be around 2.5% in ten years' time but they declined to give a medium term forecast.

It is unlikely that the MPC will increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. Similarly, the MPC is more likely to wait until August 2019, than May 2019, before the next increase, to be followed by further increases of 0.25% in May and November 2020 to reach 1.5%. However, the cautious pace of even these limited increases is dependent on a reasonably orderly Brexit.

The overall longer run future trend is for gilt yields, and consequently PWLB rates, to rise, albeit gently.

Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

A detailed view of the Economic forecast is set out at Appendix 3.

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 2019/20 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:

	2019/20	2020/21	2021/22
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 2019/20		
	Lower	**Upper**
Under 12 months	0%	75%
12 months to 2 years	0%	75%
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 to 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 possible that the Municipal Bond Agency will be offering loans to local authorities in the future. The Agency hopes that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). This Authority may make use of this new source of borrowing as and when appropriate.

4.0 ANNUAL INVESTMENT STRATEGY

4.1 Investment Policy

The MHCLG and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. Non-financial investments are essentially the purchase of income yielding assets, are covered in the Investment Strategy see Appendix 4.

The Council's investment policy has regard to the following: -

- MHCLG's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2018

The Council's investment priorities will be security first, portfolio liquidity second and then yield, (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 5 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.

4.2 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 6. 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 Link, the Council's treasury consultants, on all active counterparties that comply with the criteria at Appendix 6. 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, even if the UK rating falls below AAA.

4.3 The Chief Finance Officer will maintain a counterparty list in compliance with the criteria set out in Appendix 6 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.

4.4 **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	2 yrs
Money market Funds	£10.0m	Liquid
Property funds	£10.0m	

4.5 The proposed criteria for Specified and Non-Specified investments are shown in Appendix 5 for approval.

Property Funds - The use of these instruments can be deemed capital expenditure, and as such will be an application (spending) of capital resources. This Authority will seek guidance on the status of any fund it may consider using. Appropriate due diligence will also be undertaken before investment of this type is undertaken.

4.6 **Non treasury management investments**

This Council invests in non treasury management (policy) investments. These do not form part of the treasury management strategy. However, Members are advised that the following non treasury investments are currently in place as at 31.12.18:

Investment	Facility	Int Rate
CloudConnX	357,000	1.5%+Base
WEL (Excl capitalised interest)	1,150,000	8%-10%
EHIC – Loan Facility	9,522,150	4.50%
EHIC - Credit Facility	250,000	2%+Base
Aspiration Homes Loan Facility	3,188,000	4.50%
Aspiration Homes – Credit Facility	100,000	2%+Base
Seachange (Site 6 Sov Harbour) (Excl capitalised interest)	850,000	3.00%
Seachange (Sov Harbour Innovation Mall) (Excl capitalised interest)	1,400,000	3.00%

4.7 **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).

4.8 **Investment returns expectations.**

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

- 2018/19 0.75%
- 2019/20 1.00%
- 2020/21 1.50%
- 2021/22 2.00%

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

	Now
2018/19	0.75%
2019/20	1.00%
2020/21	1.50%
2021/22	1.75%
2022/23	1.75%
2023/24	2.00%
Later years	2.75%

The overall balance of risks to economic growth in the UK is probably neutral.

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

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

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

Upper limit for principal sums invested for longer than 365 days			
£m	**2018/19**	**2019/20**	**2020/21**
Principal sums invested for longer than 365 days	£2.0m	£2.0m	£2.0m

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

4.10 **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.

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

The Council uses Link 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.

5.0 Outcome expected and performance management

5.1 Loans, Investments and Prudential Indicators will be monitored regularly during 2019/20 and performance will be reported to members quarterly.

6.0 Financial appraisal

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

7.0 Legal implications

7.1 This report covers 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.

8.0 Equality analysis

8.1 The equality implications of decisions relating to Treasury Management covered in this report are addressed within other relevant Council reports or as part of programmed equality analysis.

9.0 Conclusion

9.1 Capital prudential indicators have to be set to demonstrate plans for borrowing are affordable. The movement in the Capital Financing Requirement (CFR) forecasts for 2019/20, 2020/21 & 2021/22 have been set as £54.1m, £26.0m and £1.1m respectively. This borrowing has been reflected in the Capital Financing Requirement, which sets out the Council's outlining requirement for borrowing, and includes both the use of internal resources and external borrowing.

9.2 The proposed Minimum Revenue Provision Policy is updated in accordance with Appendix 2 and ensures that prudent provision is made for the repayment of borrowing.

9.3 All Treasury indicators have been set to reflect the treasury strategy and funding requirements of the capital programme.

9.3 The Council's treasury management advisors are predicting a gradual rise in interest rates of 0.25% going forward to reach 2.00% by March 2022. Investment returns are likely to remain low during 2019/20 but to be on a gently rising trend over the next few years.

9.4 The investment strategy has been set to maintain the Council's main priorities in the order of Security, Liquidity and Yield.

9.5 The proposed criteria for Specified and Non-Specified investments is shown in Appendix 5 for approval and remains unchanged from 2018/19.

9.6 CIPFA issued a revised Treasury Management Code of Practice in December 2017 which expanded the role of the Chief Finance Officer's responsibility for treasury management activities, as set out in Appendix 7. These revisions have particularly focused on non-treasury investments and introduces the requirement to produce a detailed Capital Strategy, which will be prepared in 2018/19 in partnership with other services.

Appendices

- 1 - Capital Strategy
- 2 - Minimum Revenue Provision (MRP) Policy Statement
- 3 – Economic Background
- 4 – Investment Strategy
- 5 – Specified and Non-Specified Investments and limits
- 6 – Creditworthiness Policy
- 7 – The Treasury Management Role of the Section 151 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 6 February 2019
- Finance Matters and Performance Monitoring Reports 2018.
-

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

APPENDIX 1 Capital Strategy

1) Introduction

1.1 This Capital Strategy is a new report for 2019/20, giving a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services in Eastbourne Borough Council (EBC), along with an overview of how associated risk is managed and the implications for future financial sustainability. It has purposely been written in an accessible style to enhance understanding of what can be very technical areas.

2. Capital Expenditure and Financing

2.1 Expenditure

2.1.1 Capital expenditure occurs when the Council spends money on assets such as property or vehicles, which will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below a de minimis level are not capitalised and are charged to revenue in year.

2.1.2 Further details on the Council's capitalisation policy can be found in the 2017/18 Statement of Accounts.

2.1.3 In 2019/20, EBC is planning capital expenditure of £71.9 million (and £40.3 million over the next two years) as summarised in Table 1 below:

Table 1: Prudential Indicator: Estimates of Capital Expenditure

	2017/18 actual	2018/19 forecast	2019/20 budget	2020/21 budget	2021/22 budget
	£m	£m	£m	£m	£m
General Fund Services	20.6	40.1	21.6	16.5	0.9
Council Housing (HRA)	6.3	5.5	5.6	4.4	4.4
Commercial Activities/ non-financial investments	24.4	8.9	44.7	11.6	2.5
TOTAL	**51.3**	**54.5**	**71.9**	**32.5**	**7.8**

2.1.4 The main General Fund capital projects scheduled for 2019/20 are as follows:

Scheme	£m
Loan Facility to EHICL	22.2
Sovereign Centre	11.9
Hampden Retail Park	6.7
Loan Facility to Aspiration Homes	5.7
Disabled Facilities Grants	2.6
Devonshire Park	2.5
Bedfordwell Road	1.9
JTP	1.7
Other schemes	11.1
Total	**66.3**

2.1.5 The Housing Revenue Account (HRA) is a ring-fenced account which ensures that the Council's housing does not subsidise, or is itself subsidised, by other local services. HRA capital expenditure is therefore recorded separately, and includes

£1.3 million allocated to the New Build Programme over the (three-year) forecast period, which is expected to deliver 7 new homes.

2.2 Governance

2.2.1 The evaluation, prioritisation and acceptance of capital schemes onto the Capital Programme is carried out in accordance with strict criteria that ensures that added schemes reflect Council priorities and can be delivered within available resources (e.g. due priority is given to schemes yielding savings and/or generating income as well as meeting a Council priority).

2.2.2 The draft Capital Programme is then subject to formal Scrutiny prior to setting the budget (followed by Cabinet and full Council approval).

2.3 Financing

2.3.1 All capital expenditure must be financed, either from external sources (Government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing and leasing). The planned financing of the above expenditure is presented in Table 2 below.

Table 2: Capital Financing

	2017/18 actual	**2018/19 forecast**	**2019/20 budget**	**2020/21 budget**	**2021/22 budget**
	£m	**£m**	**£m**	**£m**	**£m**
External sources	10.8	3.5	8.2	0.3	-
Own resources	5.5	8.3	8.5	4.6	4.0
Debt	35.0	42.7	55.2	27.6	3.0
TOTAL	**51.3**	**54.5**	**71.9**	**32.5**	**7.8**

2.3.2 Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as "Minimum Revenue Provision" (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned MRP and use of capital receipts are presented in Table 3 below.

Table 3: Replacement of Debt Finance

	2017/18 actual	**2018/19 forecast**	**2019/20 budget**	**2020/21 budget**	**2021/22 budget**
	£m	**£m**	**£m**	**£m**	**£m**
Own resources	1.3	1.3	1.1	1.6	2.0

2.3.3 The Council's annual MRP statement can be found at Appendix 2 below.

2.3.4 The Council's cumulative outstanding amount of debt finance is measured by the Capital Financing Requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The CFR is expected to increase by £54.1 million in 2019/20. Based on the above figures for expenditure and financing, the Council's estimated CFR is presented in Table 4 below.

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement (CFR)

	31.3.2018 actual	31.3.2019 forecast	31.3.2020 budget	31.3.2021 budget	31.3.2022 budget
	£m	£m	£m	£m	£m
General Fund services	55.6	112.5	130.8	189.9	200.1
Council housing (HRA)	42.6	42.6	42.6	42.6	42.6
Capital investments	24.4	8.9	44.7	11.6	2.5
TOTAL CFR	**122.6**	**164.0**	**218.1**	**244.1**	**245.2**

3. Asset Management

3.1 Asset Management Strategy

3.1.1 The Council recognises the importance of ensuring that capital assets continue to be of long-term use especially in a rapidly changing operational and technological backdrop. Consequently, at the time of preparing this Capital Strategy, a new Asset Management Strategy (AMS) is under development. Led by the Asset Management team and backed by a comprehensive review of Council assets, the AMS will take a longer-term view comprising:

- ‘Good’ information about existing assets;
- The optimal asset base for the efficient delivery of Council objectives;
- The gap between existing assets and optimal assets;
- Strategies for purchasing and constructing new assets, investment in existing assets, transferring of assets to other organisations and the disposal of surplus assets; and
- Plans for individual assets.

3.2 Asset Disposals

3.2.1 When a capital asset is no longer needed, it may be sold so that the proceeds(known as capital receipts) can be spent on new assets or to repay debt. The Council is also permitted to spend capital receipts on service transformation projects until 2021/22. Repayments of capital grants, loans and investments also generate capital receipts. The Council takes a prudent approach of assuming future capital receipts only when there is a high probability of realisation.

4. Treasury Management

4.1 Introduction

4.1.1 Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council’s spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Council is not cash rich as it utilises all of its available cash before borrowing which in the current climate is more economic.

4.1.2 As at 31 December the Council had borrowing of £109.0 million at an average interest rate of 2.83% and cash balances of £5.0 million held on an interest bearing current account at a rate of 0.65%.

4.2 Borrowing

4.2.1 The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in the future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between cheap short-term loans (currently available at around 0.75%) and long-term fixed rate loans where the future cost is known but higher (currently 2.0 to 3.0%).

4.2.2 Projected levels of the Council's total outstanding debt (which comprises borrowing and leases) are shown below in Table 6, compared with the Capital Financing Requirement (Table 4 above).

Table 6: Prudential Indicator: Gross Debt and the Capital Financing Requirement

	31.3.2018 actual	**31.3.2019 forecast**	**31.3.2020 budget**	**31.3.2021 budget**	**31.3.2022 budget**
	£m	**£m**	**£m**	**£m**	**£m**
Debt (incl. leases)	101.7	143.9	199.0	226.6	229.6
Capital Financing Requirement	122.6	164.0	218.1	244.1	245.2

4.2.3 Statutory guidance is that debt should remain below the Capital Financing Requirement, except in the short-term. As can be seen from Table 6, the Council expects to comply with this in the medium term.

Affordable Borrowing Limit

4.2.4 The Council is legally obliged to set an affordable borrowing limit (also termed the "Authorised Limit" for external debt) each year. In line with statutory guidance, a lower "Operational Boundary" is also set as a warning level should debt approach the limit.

Table 7: Prudential Indicators: Authorised Limit and Operational Boundary for External Debt

	2018/19 limit	**2019/20 limit**	**2020/21 limit**	**2021/22 limit**
	£000's	**£000's**	**£000's**	**£000's**
Authorised limit – total external debt	179.0	233.1	259.1	260.2
Operational boundary – total external debt	164.0	218.1	244.1	245.2

4.2.5 Further details on borrowing are contained in the Treasury Management Strategy.

4.3 Investments

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

(Treasury Management) Investment Strategy

4.3.2 The Council's Investment Strategy is to prioritise security and liquidity over yield; focussing on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely in selected high-quality banks, to minimise the risk of loss.

4.4 Governance

4.4.1 Treasury management decisions are made on a daily basis and are therefore delegated to the CFO, who must act in line with the Treasury Management Strategy approved by the Council. Annual outturn reports on treasury management are also approved by the Council (following recommendation from Audit and Governance Committee), whereas mid-year updates are reported exclusively to the Audit and Governance Committee. Quarterly performance reports are also submitted to Cabinet.

5. Investments for Service Purposes

5.1 The Council will sometimes make investments for service delivery purposes where there is a strategic case for doing so, for example the new Waste Company. Given its public service objectives, the Council is willing to take more risk than with treasury investments, nevertheless the arrangements feature cost reduction incentives, from which the Council will benefit.

Governance

5.2 Decisions on service investments are made by the Council's Cabinet and require the support of a full business case.

6. Commercial Investments

6.1 Current Investments

6.1.1 In recent years, the Council has invested in commercial property in the borough on a selective basis, usually where there is a fit with corporate priorities and a positive financial return that can be used to contribute towards the protection of local services. As at 31st March 2018, the commercial property portfolio comprised a retail park, sports complex, members club and commercial units with an estimated Fair Value of £23.9 million. Estimated gross income for 2018/19 is £1.8 million.

6.2 Commercial Investment Strategy

6.2.1 However, in recognition of the continued shortfall in local government funding and commitments made in the, the Council will be preparing a Commercial Investment Strategy in the next financial year with a view to achieving a step change increase in commercial investment and trading by the Council.

6.2.2 CIPFA's guidance on borrowing to invest follows MHCLG's concern at what they perceive to be, the increasing risk taken on by local authorities following a sharp increase in Public Works Loan Board (PWLB) borrowing by councils to invest in commercial property. CIPFA has made it clear that Councils should not borrow to invest commercially and their Capital Investment Strategy must make it clear as to where they depart from this principle and why. However, it has been recognised that local investments that are primarily designed for regeneration or service delivery purposes and which have a knock-on positive impact to the revenue budgets are not intended to covered by this principle.

6.2.3 Councils have to demonstrate that such investments are "proportionate" to their resources. The Council's approach will incorporate the CIPFA guidance when it is published; this will enhance the other risk management features that are being developed; this includes a strict governance framework, the use of real estate

investment experts and diversified portfolios. The aim is to offset principle risks such as falling capital values and 'voids'. However, (within a tightly controlled framework) the Council ultimately accepts a higher risk on commercial investments compared to its prudent treasury investment that have primarily focused to date on protecting the principal.

6.2.4 The Council considers investing in housing properties and commercial investments within the borough to be related to its temporary accommodation strategy and local regeneration. It will invest commercially but in relation to the services it provides or to build and strengthen the local economy, with the related benefit of increased business rates.

6.3 Governance

6.3.1 At the time of preparing this Strategy, the Governance arrangements are being developed as part of the Commercial Investment Strategy.

7. Other Liabilities

7.1 Outstanding Commitments

7.1.1 The Council also has the following outstanding commitments:

- The Council has also set aside £1.2 million (as at 31st March 2018) to cover the financial risk associated with Business Rates appeals lodged with the Valuation Office Agency (VOA); and

7.2 Guarantees

7.2.1 Eastbourne Homes Ltd (EHL) is a wholly owned subsidiary of the Council. The Council guarantees the company and as at 31 March 2018 EHL had net assets of £1.6m.

7.2.2 The Council's investment company, ICE, is guaranteeing a property deal in Leicester, for which the Council will act as second guarantor. It will guarantee a private organisation the rental stream. It has had expert advice on the legality of the deal and the ability of the Council to invest into the deal, as well as received advice on the Treasury and accounting implications. In simple terms, the Council is taking on another organisation's risk with the deal and as such has a contingent liability that it will recognise in its accounts.

7.2.3 The Council also commissioned specialist advice on the tenancies and the likelihood of default to determine was to whether the risk was acceptable. ICE is receiving an appropriate continuing payment for this guarantee and it will pass these monies on to the Council. It is also receiving a 50% share of the proceeds of the capital receipts from the disposal of the asset that is expected 30 years after the start of the contract.

7.2.4 This is a non-financial commercial investment, involving no borrowing in advance of need. The Council monitors the risks and returns on a regular basis. It will mitigate against the risks by reserving monies from the income stream.

7.3 Governance

7.3.1 Decisions on incurring new discretionary liabilities are taken by Directors and Heads of Service in consultation with the CFO. For example, in accordance with the Financial Procedure Rules credit arrangements, such as leasing agreements, cannot be entered into without the prior approval of the CFO.

8. Revenue Implications

8.1 Financing Cost

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

Table 8: Prudential Indicator: Proportion of Financing Costs to Net Revenue Stream (General Fund)

	2017/18 actual	2018/19 forecast	2019/20 budget	2020/21 budget	2021/22 budget
	£m	£m	£m	£m	£m
Financing Costs (£)	1.5	1.8	2.0	2.6	3.4
Proportion of Net Revenue Stream	10.3	12.1	13.2	17.2	22.6

Table 9: Prudential Indicator: Proportion of Financing Costs to Net Revenue Stream (HRA)

	2017/18 actual	2018/19 forecast	2019/20 budget	2020/21 budget	2021/22 budget
	£m	£m	£m	£m	£m
Financing Costs (£m)	1.8	1.9	1.9	1.5	1.3
Proportion of Net Revenue Stream	12.3	13.0	13.0	10.3	9.0

8.1.2 Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for many [occasionally up to 50] years into the future.

8.2 "Prudence, Affordability and Sustainability"

8.2.1 The CFO is satisfied that the proposed Capital Programme (Section 2) is prudent, affordable and sustainable based on the following:

<u>*Prudence*</u>

- Prudential indicators 8 and 9 presented above (Paragraph 8.1.1) are within expected and controllable parameters. Thus:
  - *Prudential Indicator 8 (General Fund) - Proportion of Financing Costs to Net Revenue Stream* – the growth in financing costs reflects the Council's ambitions for capital investment in its strategic priorities over the medium-term.
  - *Prudential Indicator 9 (HRA) - Proportion of Financing Costs to Net Revenue Stream* – the indicator profile mirrors the HRA 30-Year Business Plan.
- *Underlying Prudent Assumptions* – a prudent set of assumptions have been used in formulating the Capital Programme. This is illustrated in the approach to capital receipts whereby the proceeds are not assumed within projections until the associated sale is completed and the money received by the Council; and
- *Repairs and Maintenance* – the approach to asset maintenance is professionally guided with assets maintained in a condition commensurate with usage and expected life, addressing those items that could affect ongoing and future maintenance, in the most appropriate and cost effective manner.

Affordability

- The estimated 'revenue consequences' of the Capital Programme (£7.9 million over three years) have been included in the 2019/20 Budget and Medium-Term Financial Strategy (MTFS), extending to 2021/22; and
- The MTFS includes a reserves strategy, which includes contingency funds in the event that projections are not as expected (further supported by CFO report to Council under Section 25 of the Local Government Act 2003 on the robustness of estimates and the adequacy of financial reserves and balances).

Sustainability

- Capital schemes that are expected to deliver long-term revenue savings/generate income are given due priority. For example, the Hampden Retail Park.
- As explained in Section 3.1 above, the Asset Management Strategy will represent an enhancement to the Council approach to asset planning through (especially) taking a longer-term view. This includes providing for future operational need, balancing the requirement to achieve optimal performance, whilst taking account of technological change and managing the risk of obsolescence.

9. Knowledge and Skills

9.1 Officers

9.1.1 The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. Most notably:

- *Finance* - the Chief Finance Officer (CFO) is a qualified (ACCA/ CIPFA) accountant with many years of public and private sector experience. The Council sponsors junior staff to study for relevant professional qualifications including AAT, CIPFA and ACCA. The Council also supports training courses and conferences across all aspects of accounting.
- *Property* – the Head of Property and Facilities Shared Service (PFSS) – a qualified property expert - is responsible for Asset Management within the Council. PFSS comprises the Asset Development, Building and Maintenance, Corporate Landlord and development functions of the Council. Each area has appropriately qualified professionals within their individual specialism. The Head of PFSS plays a key role in the Council's approach to commercial investment and trading (highlighted above in Section 6).

9.1.2 The Council also has a separate Housing team that is responsible for overseeing social housing developments within the borough.

9.2 External Advisors

9.2.1 Where the Council does not have the relevant knowledge and skills required, judicious use is made of external advisers and consultants that are experts/specialists in their field. The Council currently employs Link Asset Services as Treasury Management advisers, and the Asset Management team will commission property advisors as appropriate (e.g. development managers, valuers

etc.) to support their work where required to ensure that the Council has access to knowledge and skills commensurate with risk.

9.3 Councillors

9.3.1 May 2019 will see the election for some new councillors. Duly elected councillors will therefore all receive training appropriate to their role in the new Council.

9.3.2 Specifically with regard to Treasury Management, the Council acknowledges the importance of ensuring that members have appropriate capacity, skills and information to effectively undertake their role. To this end, newly elected Eastbourne councillors with Treasury Management responsibilities will receive tailored training sessions from the Council's Treasury Management advisors (Link Asset Services).

10. CFO Statement on the Capital Strategy

10.1 Prudential Code

10.1.1 Paragraph 24 of the recently updated Prudential Code determines that…."the Chief Finance Officer should report explicitly on the affordability and risk associated with the Capital Strategy".

10.1.2 Accordingly, it is the opinion of the CFO that the Capital Strategy as presented is affordable, and associated risk has been identified and is being adequately managed.

10.2 Affordability

10.2.1 The Capital Strategy is affordable and there is a range of evidence to support this assertion, including:

- *Capital Programme* – the Programme as presented above (in Section 2.1) is supported by a robust and resilient MTFS extending through until 2021/22 that contains adequate revenue provision, including sufficient reserves in the event that plans and assumptions do not materialise as expected.
- *Asset Management* – as presented above (in Section 3.1) a new Asset Management Strategy is under development, which is taking a strategic longer-term (i.e. beyond 2021/22) view of the Council's asset base. A fundamental aim of the Strategy is to achieve the optimum balance between future operational need and affordability, which will be reflected in its component parts including strategies for purchasing and constructing new assets, investment in existing assets, transferring of assets to other organisations and the disposal of surplus assets.
- *Commercial Investment* – as presented above (in Section 6.2) the Commercial Investment Strategy is also under development. The primary aim of the Strategy long-term is income generation to replace the shortfall in Government funding. The Strategy is progressing positively towards the delivery stage and its success will be critical to the long-term affordability of the Capital Strategy.

10.3 Risk

10.3.1 The risk associated with the Capital Strategy has been identified and is being adequately managed. Evidence to support this assertion includes:

- *Treasury Management Strategy* – the Council will formally approve a Treasury Management Strategy for 2019/20, at the Council meeting on 20 February 2019, in accordance with CIPFA's "Treasury Management in the Public Services: Code of Practice 2017". That Strategy was developed by the Council's (professionally qualified and experienced) Finance team and informed by specialist advisors Link Asset Services and other relevant and extant professional guidance.
- *Investment Strategy* – the Council will also formally approve an Investment Strategy for 2019/20, at the Council meeting on 20 February 2019, in accordance with MHCLG's "Statutory Guidance on Local Government Investments (3rd Edition) 2017". As with the Treasury Management Strategy, the Investment Strategy was developed by the Finance team and informed by specialist advisors Link Asset Service and other relevant and extant professional guidance.
- *Commercial Activities* – as noted above (in Paragraph 6.2) the Council is committed to significantly expanding the scale of its commercial activities in the medium-term as part of its Commercial Investment Strategy. It is recognised and accepted that increased commercial activity brings with it additional risk. The Strategy is therefore being developed in accordance with contemporary best practice. This includes the engagement of professional advisors on the commercial, financial and legal aspects of the project and the preparation of full supporting business cases prior to the commencement of both in-house and arm's length trading activities, strictly in accordance with HM Treasury's 'five-case model' ("The Green Book: Central Government Guidance on Appraisal and Evaluation").

11. Capital Strategy Updates

11.1 The Capital Strategy is a 'living document' and will be periodically, usually annually, updated to reflect changing local circumstances and other significant developments. However, the development of the Asset Management Strategy and the Commercial Investment Strategy (explained above in Sections 3 and 6) are both major initiatives that could have a material impact on the Strategy as early as 2019/20, once full details are known. In the event that this happens, the Capital Strategy will be updated and re-presented to full Council.

Appendix 2 Minimum Revenue Provision (MRP) Policy Statement

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the Capital Financing Requirement - 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).

MRP represents the minimum amount that must be charged to an authority's revenue account each year for financing capital expenditure, which will have initially been funded by borrowing. This is to ensure an authority can pay off the debts it has from investing in capital assets. Where there are opportunities to reduce the borrowing requirements from more certain and guaranteed capital receipts, the Council's MRP is appropriately reduced.

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

For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP options are:

Either

- Existing practice - MRP will follow the existing practice outlined in former MHCLG regulations (option 1); or
- Based on CFR – MRP will be based on the CFR (option 2);

These options provide for an approximate 4% reduction in the borrowing need (CFR) each year.

From 1 April 2008 for all unsupported borrowing (including PFI and finance leases) the MRP policy options are:

- Asset life method – MRP will be based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction) (option 3);
- Depreciation method – MRP will follow standard depreciation accounting procedures (option 4);

These options provide for a reduction in the borrowing need over approximately the asset's life. There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made (although there are transitional arrangements in place). Repayments included in annual PFI or finance leases are applied as MRP. It is important to note that changes in the Local Government Financial Regulations means that in the future operating leases will be treated in a manner consistent with financial leases.

Recommendations

The Council is recommended to approve the following MRP Statement:

For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be based on the CFR and use the 4% reducing balance method.

From 1 April 2008 for all unsupported borrowing (including PFI and finance leases) the MRP policy will be the Asset life method – MRP will be based on the estimated life of the assets, in accordance with the regulations (commonly referred to as option 3).

Furthermore, the Council intends to use the default position of an annuity model for all capital projects except for transformation and ICT projects, which will use a straight line (EIP – Equal Instalment Payment) approach, as the benefit is more immediate and where an annuity method would not be appropriate.

The Council reserves the right to make voluntary MRP contributions, those charges over and above the statutory minimum levels, where it deems appropriate or to use capital receipts to reduce the Capital Financing Requirement. This is intended to reflect the situation, but not limited to, if the asset is significantly impaired or the asset life is now viewed as likely to be shorter than was originally anticipated.

A change introduced by the revised MHCLG MRP Guidance was the allowance that any charges made over the statutory minimum revenue provision (MRP), voluntary revenue provision or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. Up until the 31 March 2019, there were no VRP overpayments.

The Council does not charge MRP till the year following the Capital scheme is complete and the first year in which the asset is in full operation.

Appendix 3 Economic Background

Overview

The UK economy appears to have started Q4 growing at a more modest pace than seen in Q3. The business surveys are suggestive of almost flat output in November, while household spending has succumbed and weakened, which is no great surprise, given that Brexit is weighing heavily on activity. It is possible that the surveys may be a touch on the glum side and overstate the slowing, as was the case post-referendum. Analysts suggest that Q4 growth will still slow, but at 0.3% would put growth at 1.3% for the year.

Europe is suffering internally from a two pronged political threat. On the one hand is the ongoing uncertainty of Brexit which seems set to continue into the New Year, while on the other is the shenanigans in Italy, where the economy is on the brink of recession and the government is under pressure to revise its budget plans to bring them in line with bloc policy. On top of this, Donald Trump's weekly meanderings over his trade strategy does little to alleviate the concerns of exporters, particularly auto-makers, in the EZ region.

US economic strength should ensure that the Fed raises interest rates again in December, but the weakening global economic backdrop, noted by the central bank, could result in a shallower upcurve for US rates if persistent. The strong dollar and softer global demand will dent the manufacturing sector in the coming months but the domestic economy remains healthy and falling oil prices will be supportive. The labour market remains extremely tight and core inflation is running at target level, which should give the Fed the option to continue to gradually ratchet up interest rates.

There was contraction in the Japanese economy in Q3 but this should prove short lived. The latest income figures could be more worrying for the Bank of Japan, which had indicated that the pace of wage growth offered signs of inflationary pressures. However, worker compensation slowed in Q3 and that for Q2 was revised lower, thus the uptrend in wages looks less optimistic. Regular earnings figures are also slowing, with annual growth running below 1% and thus well short of the level needed to generate 2% inflation.

UK

The first Q3 GDP growth estimate offered a healthy figure of 0.6%, but early data points to a sharp slowing in Q4. The November composite PMI points to just 0.1% growth but that does not include high street activity which is known to be having a tough quarter as the summer spending spree is replaced by winter belt tightening. It should, though, be remembered that the Brexit impact has been reflected with over-pessimism by previous PMIs and the CBI's view of the broader economy is more optimistic. Analysts suggest that the economy will expand by just 1.3% over the calendar year, which would be the weakest since the financial crisis.

The hot summer boosted household spending to more than offset weaker car sales in Q3, but that is not expected to be sustained despite car sales remaining soft in November. The British Retail Consortium indicates a sharp slowing of high street sales growth. Brexit uncertainty remains a drag on spending decisions, with November consumer confidence falling to the lowest level since 2013. Annual consumer credit growth eased further in October but is running at a more sustainable level. However, with real wages improving, household spending should be supported in the near term.

The full Q3 trade deficit of £2.3bn was the smallest quarterly deficit for five years, as the September deficit came in at nearly zero. Net trade offered a healthy contribution to Q3 growth on strong export growth against near flat import growth. The latter was probably impacted by changes in EU emission tests so Q4 could see an import drag as car sales recover. Recent export strength may not continue as the post-Brexit benefit of sterling weakness dissipates. To date, Q4 surveys are suggestive of weak goods export growth.

A dip in part time work was in part offset by increased full time employment in September which left total employment slightly higher. Annual employment growth improved to 1.1% and surveys indicate that steady growth should continue. However, expansion of the workforce also saw unemployment increase. Employment growth comes as the numbers of non-UK workers is on the decline, which has seen employers competing for workers, reflected by a pickup in pay growth to the fastest rate in ten years, with survey indicators in line with current 3.25% growth being maintained.

CPI inflation was unchanged at 2.4% in October as rising energy costs offset declining imported inflation. Core inflation remained just below 2%. Imported inflation is likely to continue to soften, while falling oil prices in recent months will see the fuel impact on inflation weaken. As a consequence, forecasters expect inflation to move back towards the 2% level.

Monetary Policy

In the UK the interest rate view remains slightly misted by the ongoing uncertainty surrounding a Brexit deal with the EU. The Bank of England gives all the signs that the MPC would like to push the button on another hike, but will hold back until after the break has become official and a deal has been agreed/approved. However, a “no deal” would bring a new dimension to market thoughts and would likely see the Bank hold back until the impact of such an outcome becomes clearer. Over the course of the month, market expectations have proved fairly volatile with the markets now less confident that there will be a rate hike in Q1 2019.

Markets

- After strengthening in early November, Sterling suffered a sharp reverse in fortunes as the month progressed as the uncertainty over Brexit ebbed and flowed, with the Prime Minister’s Brexit deal set to be resoundingly rejected by Parliament.

- Interest rate expectations remain volatile, but have been pared back, with a pre-Brexit hike highly unlikely.

- Gilt yields have eased back as a reaction.

- Brent crude slid through the month, as supply looks set to increase at a time when there are concerns about global growth slowing.

- The end of the month saw Sterling post gains against both the US$ and €uro on the back of heightened confidence of a Brexit deal and, at the beginning of November, a hawkish tone to the MPC meeting minutes and Inflation Report, as interest rate expectations increased. Rates are, though, not seen as rising prior to Brexit.

Appendix 4 Investment Strategy

Introduction

The Council invests its money for two broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as treasury management investments), and
- to earn investment income (known as commercial investments where this is the main purpose).

This investment strategy is a new report for 2019/20, meeting the requirements of statutory guidance issued by the government in January 2018, and focuses on the second of these categories.

Treasury Management Investments

The Council typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and Central Government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to fluctuate between £0m and £10m during the 2019/20 financial year.

Contribution: The contribution that these investments make to the objectives of the Council is to support effective treasury management activities.

Further details: Full details of the Council's policies and its plan for 2019/20 for treasury management investments are covered within the body of this report.

Commercial Investments: Property

Contribution: The Council invests in local commercial property with the intention of making a profit that will be spent on local public services.

Table 1: Property held for investment purposes in £ millions as at 31 March 2018

Property type	Purchase cost	Gains/ (Losses)	Value in Accounts
Acquired before 31.12.13	Not available	Not available	2.07
Acquired after 31.12.13	22.65	(0.82)	21.83

Security: In accordance with government guidance, the Council considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs.

The fair value of the Council's investment property portfolio is no longer sufficient to provide security against loss. However, the Council fully expects the fair value to increase following significant works to the site at the Retail Park, with the fair values expected to increase to that exceeding the original purchase price.

Risk assessment: The Council assesses the risk of loss before entering into and whilst holding property investments by assessing the viability of the cost of financing the investment against the return on investment in terms of receivable income. Investments that are subject to short leases are unlikely to be considered due to the high risk of potential voids.

Liquidity: Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice, and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed; the Council ensures that borrowing is on an equal instalment basis and that revenue budgets cover the cost of the loan repayment.

Loan Commitments and Financial Guarantees

The following table provides the loan facilities that have been made available to Eastbourne Housing Investment Company Ltd (EHICL) and Aspiration Homes LLP subject to individual scheme appraisals. Loans are provided on a secured basis and interest charged at a commercial rate. Currently most loans are charged interest at 4.5%.

Company	Total Facility	Agreed/Drawndown	Available for schemes
	£m	£m	£m
EHICL	39.17	6.04	33.13
AH	10.00	4.52	5.48
Total	**49.17**	**10.56**	**38.61**

For full details of guarantees see Appendix 1 para. 7.2.

Capacity, Skills and Culture

Elected members and statutory officers: It is important that the members and officers involved in the Treasury Management function have appropriate capacity, skills and information to enable them to take informed decisions on specific investments, to assess the risk and strategic objectives and to ensure that the Council's risk exposure is managed. Periodically the Council's external Treasury advisors, Link Asset Services will hold member training sessions which will provide members with a raft of technical advice specifically designed for the Council's environment. Additionally, Officers have a wide range of information available to them from various sources such as the Charted Institute of Public Finance and Accountancy (CIPFA), Link Asset Services and Room 151. Officers will also attend a number of courses/seminars throughout the year and have periodical strategic meetings with the Council's treasury advisors.

Commercial deals: Officers negotiating commercial deals are aware of the core principles of the prudential framework and of the regulatory regime within which local Authorities operate and have access to a number of external bodies who can provide specific advice and direction.

Corporate governance: All of the Council's procedures provide a corporate governance arrangement that ensure accountability and for decision making on investment activities and ensure that the Council's Chief Finance Officer/Section 151 Officer is fully briefed on the Council's investment position at any one time.

APPENDIX 5 - 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 Link's credit worthiness service which overlays colour bandings to determine the maximum length of any investment. See Appendix 3 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
3. Property Funds	Long-term AA- volatility rating	£5m with any institution	

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 6 – Creditworthiness Policy

This Council applies the creditworthiness service provided by Link. This service employs a sophisticated modelling approach utilising 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 Link 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 Link 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

Appendix 7 – The Treasury Management Role of the Section 151 Officer

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.

Role extended by the revised CIPFA Treasury Management and Prudential Codes 2017as set out below.

preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe;

- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money;
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority;
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing;
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees;
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority;
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above.

Body:	**Cabinet**
Date:	**6 February 2019**
Subject:	**HRA Revenue Budget and Rent Setting 2019/20 and HRA Capital Programme 2018/22**
Report of:	**Chief Finance Officer**
Cabinet member:	**Councillor Holt, Portfolio Holder for Financial Services.**
Ward(s):	**All**
Purpose of the report:	**To agree the detailed HRA budget proposals, rent levels, service charges and heating costs for 2019/20, and the HRA Capital Programme 2018/22.**
Decision type:	**Budget and policy framework**
Recommendation:	**Cabinet is asked to recommend the following proposals to Full Council:**

i) The HRA budget for 2019/20 and revised 2018/19 as set out in Appendix 1.

ii) That social and affordable rents (including Shared Ownership) are decreased by 1% in line with Government policy.

iii) That delegated authority be given to the Chief Finance Officer, in consultation with the Cabinet Portfolio holders for Financial Services and Direct Assistance Service, to take measures in the management of the Week 53 rent year.

iv) That service charges for general needs properties are decreased by 13.20%.

v) Those service charges' for the Older Persons Sheltered Accommodation are increased by 0.24%.

vi) That the Support charge for Sheltered Housing Residents remains at £7.20 per unit, per week.

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

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

ix) Garage rents remain at current levels.

x) To give delegated authority to the Chief Executive, in consultation with the Cabinet Portfolio Holders for Financial Services and Direct Assistance Service and the Head of Finance to finalise Eastbourne Homes'

Management Fee and Delivery Plan.

xi) The HRA Capital Programme as set out in Appendix 2

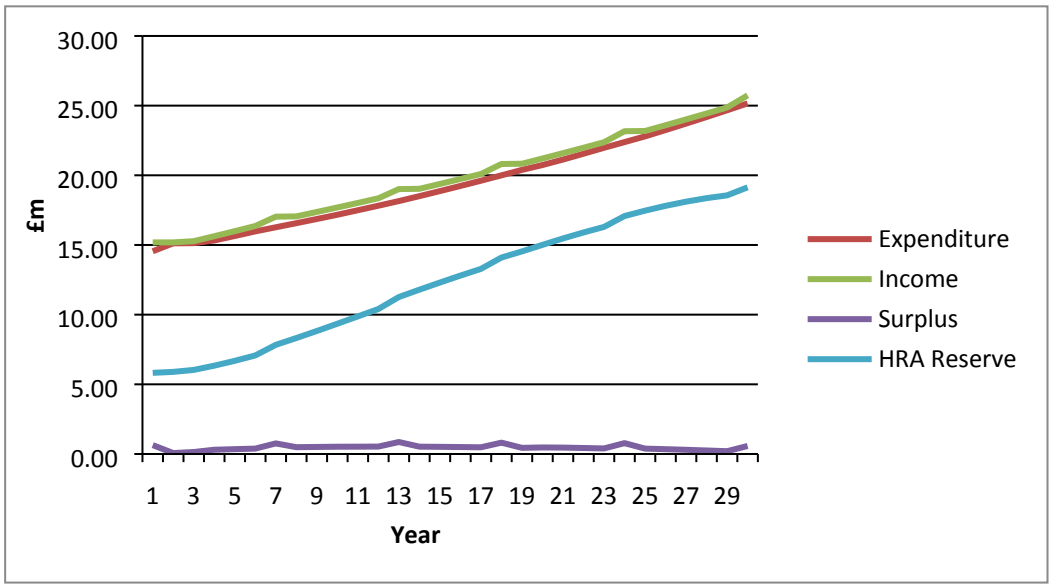
Reasons for recommendations: **The Cabinet has to recommend to Full Council the setting of the HRA revenue and capital budget and the level of social and affordable housing rents for the forthcoming year.**

Contact: **Pauline Adams, Head of Finance**
Telephone 01323 415979 or internally on extension 5979.
E-mail address: Pauline.Adams@lewes-eastbourne.gov.uk

1.0 Introduction

1.1 The HRA is a statutory ring-fenced account that represents all landlord functions. The HRA is required to be self-financing, which 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.

1.2 The Business plan was last updated in August 2018, and shows income marginally in excess of expenditure delivering a small surplus year on year, as shown in the table below. The Reserve will therefore be expected to increase from a starting point of £5.188m in 18/19 to £19.14m by 2047/48 if potential assumptions for debt repayment or new developments/initiatives are disregarded.



The business plan will be reviewed again once the 18/19 accounts have been completed.

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

2.0 2019/20 HRA Revenue Budget

2.1 The 2019/20 budget has been prepared following the principles adopted within the HRA 30 year Business Plan and is attached at **Appendix 1**

2.2 The 2019/20 budget is showing a surplus of £87K from a surplus of £143k in 2018/19, a change of £56k, which is mainly due to the factors listed below.

2.3 The major changes between the 2018/19 and the 2019/20 budgets are:

Increases in income, reductions in expenditure and re-profiling of contributions to reserves:

- Reduction in the transfer to the Housing Regeneration and Investment Reserve (£500k)
- 1% rent reductions £139k
- Other Rental Movements £110k
- Environmental Initiatives £40k
- One off HRA Contribution to JTP £250k
- Depreciation £43k

2.4 A new revenue budget of £40k for environment initiatives has been established to replace the old capital budget, as previous expenditure incurred did not fulfil the definition of capital, which is to purchase, build or enhance an asset. The budget has therefore been moved to revenue to allow various small initiatives resulting from tenant's requests to continue.

2.5 The HRA budget is performing in line with expectations in the 30 year business plan, with the exception of the one off items of a contribution to JTP. The additional 19/20 costs have been offset by removing the contribution to Housing and Regeneration and Investment Reserve for the year. This will be reinstated for 2020/21.

2.6 The Major Repairs Reserve is funded from cash backed depreciation of £4.291m plus inflation per year and is expected to breakeven in the short term, but should start to exceed capital spending requirements in the medium term, in order to provide sufficient resources to fund the demands of the asset management plan in the longer term.

2.7 The HRA debt outstanding at 31.3.18 was £42.649m which is the maximum borrowing permitted under the self-financing settlement. The Government announced that it is changing legislative policy to remove the 'borrowing cap' in the HRA to enable Councils to build more homes. Management will be considering its strategy in relation to future developments over the next few months.

2.8 The original 30 year business plan assumed from 16/17 to 28/29 that an average debt repayment of £2.8m per annum is funded from the HRA Revenue Account. This is no longer viable due to the rent decrease however, if possible when opportunities arise, consideration will be given to using any surplus funds for the repayment of debt or to be used to reinvest in housing properties in lieu of new borrowing.

2.9 The Council's treasury management advisors are predicting a gradual rise in interest rates going forward into 2019/20 and the interest budget has been prepared on this basis

2.10 The HRA outturn for 2018/19 is expected to deliver a (£119k) surplus, a variance of (£24k) over the original budget (0.2% of gross expenditure). This is as a result of:

Leaseholder service charges income (£60k),
Under occupation transfers (£65k)
Health and safety one off expenditure £100k.

2.11 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 forecast balances on HRA and Reserves are as follows:

	HRA Working Balance	Major Repairs Reserve	Housing Regeneration & Investment Reserve
	£'000	£'000	£'000
Balance at 1.4.18	5,187	865	2,883
Surplus/(Deficit)	119		
Revenue Contribution			500
Depreciation		4,291	
Major Works expenditure		(4,250)	(662)
Estimated Balance 31.3.19	5,306	906	2,721
Surplus/(Deficit)	87		
Revenue Contribution			
Depreciation		4,334	
Major Works expenditure		(4,334)	
Estimated Balance 31.3.20	5,393	906	2,721

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

3.0 Rent Levels for 2019/20

3.1 The Council has been following the Government's guidance for rents for social housing since December 2001. In May 2014, the Government issued new guidance setting out its policy on rents for social housing from April 2015 (for rents to increase annually by September CPI + 1.0%).

3.2 The Welfare Reform and Work Act 2016 suspended this policy from 2016/17 and rents on social housing properties are to be reduced by 1% a year for a four year period. The financial year commencing 1st April 2019 is the last year that

the rent reduction is to be applied to all socially rented and affordable rented properties

3.3 Rents for Shared Ownership properties are excluded from the Welfare Reform and Work guidance. However, the terms of the lease for these properties determine that we should reduce their rents in line with the socially rented properties. Therefore, it is recommended that rents for all Shared Ownership properties are reduced by 1%.

3.4 Every six to seven years 53 Mondays fall in a financial year and this will be the case for 2019/20. As rent debts are raised on Mondays this means that the HRA ordinarily benefits from an 'extra' week's rents when there are 53 Mondays in a year.

This creates the following two immediate issues:

- The 1% rent decrease under Welfare Reform Act 2016 means that the 53 week year can be interpreted as taking the Council over the required 1% decrease. The MHCLG initial response was that the reduction had to be applied on an annual basis and that landlords would either have to offer up a rent free week or collect 52 weeks' worth of rent over 53 payments (effectively reducing the weekly rent by 1.27%). Either way the Council would lose a week's rent (£272k) and furthermore a 53 week rent year would have a lasting impact of reducing rental income for future years (£40k for 2020/21 and increasing by CPI+1% annually thereafter).However a number of authorities are challenging this view and have interpreted the legislation differently arguing that rents are calculated on a daily basis and collected weekly, thus allowing for 53 weeks' worth of rent to be charged as normal. MHCLG officials have emphasised that it is for each individual authority to satisfy itself that it is complying with the legal position.

- A further complicating issue is that Universal Credit legislation does not allow for 53 Monday years and therefor UC Claimants would find themselves a week in arrears if charged 53 week's rent. It has been suggested that this could be amended through a statutory instrument, however DWP are not supportive of this approach. Alternatively Government could resolve this through somehow topping up rents for 2019/20. However there is no detailed view on what this solution might be.

The budget figures currently include a 1% reduction over the 52 week year.

Given the complexity of the issues raised it is recommended that delegated authority be given to the Chief Finance Officer, in consultation with the Cabinet Portfolio holders for Financial Services and Direct Assistance Service, to take measures in the management of the Week 53 rent year.

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, 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 For general needs properties in blocks the average service charge decrease is 13.20% to ensure that costs relating to communal areas are reasonably recovered. This is an average decrease of £0.56 per unit, per week.

4.3 For Retirement Court properties in blocks, the average service charge increase is 0.24% to ensure that costs relating to communal arears are fully recovered. This is an average increase in costs of £0.15 per unit, per week.

5.0 Support charge for Sheltered Housing

5.1 To cover the withdrawal of the Supporting People funding 2016 for the provision of the on-site co-ordinator service, a charge was introduced to continue the vital work within the Sheltered Housing blocks.

5.2 This year, following the implementation of the Joint Transformation Programme a review of the resources required by the Supported Housing service will be carried out once the work on the realignment of the budgets has been completed. It is recommended that the support charge of £7.50 per unit per week remains for the short term pending the review.

5.3 The above review is planned to be completed in the first quarter of 2018/19, it is therefore recommended that delegated authority be given to the Director of Service Delivery, in consultation with the Portfolio Holders for Financial Services and Direct Assistance Service, to set the Supported Housing Service Charge that covers the costs incurred in the provision of the service.

6.0 Heating costs - Older Persons Sheltered Accommodation

6.1 These charges are set in line with known price decreases predicted by the Department of Energy and Climate Control. For 2019/20, it is recommended that the average charge decrease is 1.40%. This is an average decrease of £0.11 per week for tenants that pay these charges.

7.0 Water Charges

7.1 These charges are also set in line with the actual costs received for 2017/189. In order to recover actual costs incurred, it is recommended for 2019/20 that the average charge decrease is 19.77%. This is an average decrease of £1.11 per week for tenants that pay these charges.

8.0 Garage Rents

8.1 It is recommended that garage rents remain the same this year following the disposal and repurposing of designated garage sites.

9.0 Capital Programme

9.1 Capital Programme as set out in Appendix 2 has been prepared to meet the Council's strategies, as adjusted to reflect the availability of resources. Total budget expenditure for 2019/20 is £5,633,500.

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

9.3 The majority of schemes approved as part of the Housing and Development, new build and empty homes programme, which are funded from HRA resources are expected to be completed by the end of the current year. If there is any slippage this will be re-profiled as part of the year end process. This programme has been funded from borrowing, capital receipts and HCA grant.

10.0 Eastbourne Homes Management Fee

10.1 The Management Fee covers both operational and administration costs as well as responsive and cyclical maintenance.

10.2 The fee for 2018/19 was set at £7,219,500. It is proposed that the management fee will remain the same in 2019/20.

10.3 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 Service and Finance Services and the Head of Finance.

11.0 Consultation

11.1 The rent decrease reflects the requirements under the Welfare Reform and Work Act 2016.

11.2 A copy of this report will be considered by the next meeting of the Scrutiny Committee on 4 February 2019. Any feedback will be reported verbally.

12.0 Corporate plan and council polices

12.1 This report contributes to delivering the Council's vision for a housing market which includes affordable housing for those families in need and for a sustainable asset base contributing effectively to the delivery of public services. Rents will be more affordable following the reduction in rent proposed and increases in service charges to our customers have been kept to the minimum required to cover the costs of delivering these services.

13.0 Outcome expected and performance management

13.1 The HRA budget will be monitored regularly during 2019/20 and performance will be reported to members quarterly.

13.2 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

14.0 Financial appraisal

14.1 These are included in the main body of the report

15.0 Legal implications

15.1 Local housing authorities are required by Section 74 of the Local Government and Housing Act 1989 to keep a Housing Revenue Account (HRA) unless the Secretary of State has consented to their not doing so. The account must show credits and debits arising from the authorities' activities as landlord. The HRA identifies the major elements of housing revenue expenditure, such as maintenance, administration and contributions to capital costs, and how there are funded by rents and other income.

15.2 Section 76 of the 1989 Act states that budgets must be set for the HRA on an annual basis in January or February before the start of the financial year. A local authority may not budget for an overall deficit on the HRA and all reasonable steps must be taken to avoid a deficit.

15.3 Section 24 of the Housing Act 1985 gives local authorities the power to make reasonable charges for the tenancy or occupation of dwellings. Rent setting must be seen in the context of the statutory duty to set a balance HRA budget.

15.4 The Welfare Reform and Work Act 2016, passed in March 2016, set the rent setting policy for 4 years whereby social rents in England are to be reduced by 1%. In October 2017 the government confirmed details for future social rents and for the five years from 2020/21 providers will be able to increase rents up to a limit of CPI plus 1% each year. This policy is designed to provide more certainty over rent levels.

15.5 Under The Local Authorities (Functions and Responsibilities) Regulations 2000, the task of formulating a plan for determining the Council's minimum revenue provision (i.e. its budget) is the responsibility of Cabinet, whilst the approval or adoption of that plan is the responsibility of the full Council. This explains why Cabinet is being asked to recommend its budget proposals to Council.

16.0 Equality analysis

16.1 The 1% reduction in rents will have a short term positive impact on all existing tenants and for those in the Council's Shared Ownership properties. However, it is considered unsustainable for the provision of longer term housing needs.

There is a small increase in service charges to those older residents living in the Council's Retirement Courts, and a decrease in service charges in general needs blocks. Both changes have been set at the minimum required to cover costs.

The proposal to maintain the charge for the Supported Housing service at its current level protects residents with support pending the review of this service.

The proposed decrease in charges to cover water and heating is designed to recovery costs.

17.0 Conclusion

17.1 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 deficit of £63k for 2019/20.

17.2 The underlying HRA surplus has decreased between 2018/19 and 2019/20 principally due to a 1% rent decrease & rental movements £207k; the major variance are listed at paragraph 2.3 above.

17.3 The levels of HRA balance and Housing Regeneration and Investment Reserve as at 31.3.20 are forecast to be £5.4m and £2.7m respectively. The Major Repairs Reserve is forecast to have a balance of £906k.

17.4 The rent levels have been prepared in accordance with the government's requirement to reduce rents by 1% a year for each of the four years from 2016-17 based on the rent charge as at 8 July 2015.

17.5 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.

17.6 Garage rents are recommended to remain at the 2018/19 level.

17.7 Total budgeted expenditure on the HRA Capital Programme is planned at £4.3m for 2019/20. All planned capital expenditure is solely on major repairs, which is funded from cash backed depreciation, but consideration of new schemes is being considered now that the borrowing debt cap has been lifted. The Major Repairs programme is in line with the asset management plan and HRA business plan model.

Appendices

- Appendix 1 - HRA 2018/19 Revised budget and 2019/20 Budget
- Appendix 2 - HRA Capital Programme 2018/19-2021/22

Background papers

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

HRA 2019/20 Budget working papers held by Eastbourne Council
HRA Self Financing 30 year Business Plan

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

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HOUSING REVENUE ACCOUNT

2018-19 Original Budget £' 000	2018-19 Revised Budget £'000		2019-20 BUDGET £' 000	
		INCOME		
(14,353)	(14,353)	Gross Rents	(14,083)	
(979)	(1,039)	Charges for Services	(1,000)	
(15,332)	(15,392)	GROSS INCOME		(15,083)
		EXPENDITURE		
7,261	7,261	Management Fee	7,261	
1,038	1,123	Supervision and Management	1,327	
127	127	Provision for Doubtful Debts	127	
4,290	4,290	Depreciation and Impairment of Fixed Assets	4,333	
12,716	12,801	GROSS EXPENDITURE		13,048
(2,616)	(2,591)	NET COST OF SERVICES		(2,035)
1,935	1,935	Loan Charges - Interest		1,961
(10)	(10)	Interest Receivable		(13)
(691)	(666)	NET OPERATING SURPLUS		(87)
500	500	Transfer to Reserves		
47	47	Revenue Contribution to Capital Expenditure		
(144)	(119)	HOUSING REVENUE ACCOUNT (SURPLUS) / DEFICIT		(87)
		HOUSING REVENUE ACCOUNT WORKING BALANCE		
(4,720)	(5,187)	In Hand at 1st April		(5,306)
(144)	(119)	Transfer (To)/ From Working Balance		(87)
(4,864)	(5,306)	In Hand at 31st March		(5,393)

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HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME 2018/19 - 2021/22							
Scheme	**Total Scheme Cost**	**Spend to 31 March 2018**	**Approved Allocation 2018/19**	**Revised Allocation 2018/19**	**2019/20**	**2020/21**	**2021/22**
Managed By Eastbourne Homes							
Major Works	Ongoing	Ongoing	4,250,400	4,250,400	4,333,500	4,387,700	4,442,300
Environmental Improvements		Ongoing	40,000	44,800	-	-	-
3 Hartfield Road			-	399,700	-	-	-
Riverbourne House Kitchen Conversion			-	262,000	-	-	-
			4,290,400	**4,956,900**	**4,333,500**	**4,387,700**	**4,442,300**
New Build Phase 2							
Sumach Close	1,934,734	1,835,504	-	99,250	-	-	-
Fort Lane	2,282,630	607,657	-	374,950	1,300,000	-	-
Empty Homes Programme Ph 2							
62a Tideswell Road	733,900	688,666	-	45,250	-	-	-
Total HRA Capital Programme			**4,290,400**	**5,476,350**	**5,633,500**	**4,387,700**	**4,442,300**
Funded by:							
Capital Receipts inc. RTB			-	519,450	1,300,000	-	-
Major Repairs Reserve			4,290,400	4,295,200	4,333,500	4,387,700	4,442,300
Reserves			-	661,700	-	-	-
Total Financing			**4,290,400**	**5,476,350**	**5,633,500**	**4,387,700**	**4,442,300**

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Report to:	**Cabinet**
Date:	**6 February 2019**
Title:	**Business Rate Retail Discount Policy**
Report of:	**Director of Service Delivery**
Cabinet member:	**Councillor Alan Shuttleworth**
Ward(s):	**ALL**
Purpose of report:	**To approve the proposed Retail Discount Policy**
Decision type:	**Key Decision**
Officer recommendation(s):	**(1) Approve the Business Rate Retail Discount Policy as set out in Appendix 1** **(2) Grant the Director of Service Delivery delegated authority, in consultation with the Lead Member, to review and, if necessary, amend the Retail Discount Policy following the consultation period and at the end of year 1 of the scheme** **(3) Grant the Director of Service Delivery delegated authority to implement and enforce the Retail Discount Policy, including any measures necessary for or incidental to its management and administration.**
Reasons for recommendations:	**Cabinet approval is required for the Retail Discount Policy which will be used for the purposes of administering the scheme**
Contact Officer(s):	**Name: Nick Ducatel** **Post title: Functional Lead (Growth and Prosperity)** **E-mail: Nick.ducatel@lewes-eastbourne.gov.uk** **Telephone number: 01323 415914**

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1 Introduction

1.1 In the October 2018 budget, the Government announced a business rates Retail Discount scheme for occupied retail properties that have a rateable value of below £51,000 in each of the years 2019-20 and 2020-21. Under the scheme, eligible ratepayers will receive a one third discount off their rates bill.

1.2 The Government will reimburse local authorities that use its discretionary relief powers under section 47 of the Local Government Finance 1988 to grant relief.

2 Proposed Scheme

2.1 The Government has set down the criteria under which properties will benefit from the relief.

2.2 Retail discount will be available to occupied hereditaments with a rateable value of less than £51,000 that are wholly or mainly being used as shops, restaurants, cafes and drinking establishments. The Government has set out a list of qualifying hereditaments, the principal ones being –

- Shops (such as florists, bakers, greengrocers, butchers, jewellers, off licenses, chemists, newsagents
- Charity Shops
- Opticians
- Post Offices
- Furnishing shops
- Car showrooms
- Second hand car lots
- Markets
- Hair and beauty services (hairdressers, nail bars, tanning shops, tattoo parlours and body piercing services)
- Shoe repairs / key cutting
- Travel Agents
- Ticket Offices e.g. theatre
- Dry cleaners and launderettes
- Funeral Directors
- Photo processing
- Tool hire
- Car hire
- Restaurants
- Takeaways
- Sandwich and Coffee shops
- Pubs and Bars

According to the Government, the above list is not intended to be exhaustive, but should be taken as a guide to local authorities as to the types of uses the Government considers to be 'retail' for the purposes of the Retail Discount. The Council can determine for itself whether particular properties not listed are broadly similar in nature to those above and, if so, to consider them eligible for the relief.

2.3 Certain types of business will **not** qualify for relief. They are hereditaments that are being used for the provision of the following services to visiting members of the public:

- Financial Services (e.g. banks, building societies, ATM's, bureaux de change, payday lenders, pawn brokers)
- Other services (e.g. estate agents, letting agents, employment agencies)
- Medical services (e.g. vets, dentists, doctors, osteopaths, chiropractors)

- Professional services (e.g. solicitors, accountants, insurance agents, financial advisors, tutors)
- Post Office sorting offices
- Cinemas and Theatres
- Museums
- Nightclubs and Music venues
- Venues used for physical recreation (e.g. gyms)

2.4 The scheme can only support those retail businesses that are in occupation and is calculated on a daily basis. There is no relief available under the scheme for hereditaments with a rateable value above £51,000.

2.5 The discount is applied against the net bill after all other Mandatory and Discretionary reliefs are taken into account. Discount will be State Aid compliant and subject to State Aid de minimis levels.

2.6 Initially the discount will be applied to all hereditaments considered eligible through the information held on the Business Rates database. Eligible ratepayers will be notified by the issue of a new Annual Bill for 2019/20 in March.

3 Financial implications

3.1 Central Government will fully reimburse local authorities for the local share of the discretionary relief / discount using a grant under section 31 of the Local Government Act 2003.

3.2 The overall estimated cost of the scheme in 2019/20 is approximately £1,044,705 and will provide support to 347 retail businesses.

4 Consultation

4.1 Although there is no legislative requirement to consult on the proposed scheme we are consulting with local ratepayers, Chamber of Commerce and Federation of Small Businesses. The consultation will run for a period of 4 weeks and closes on 31 January 2019.

4.2 The outcome from the consultation will be considered and updated as an appendix to this report prior to Cabinet on 6 February 2019.

5 Legal implications

5.1 As a billing authority, the Council has power to make and implement a Discretionary Business Rate Relief Scheme across Lewes District under section 47 of the Local Government Finance Act 1988.

5.2 Approval of the policy is an executive function and proper to be made by Cabinet.

5.3 Providing discretionary relief to ratepayers is likely to amount to State Aid (the means by which the European Union regulates state funded support to

businesses) However, Retail Discount will be State Aid compliant where it is provided in accordance with the De Minimis Regulations. These Regulations allow an undertaking to receive up to €200,000 of De Minimis aid in a three year period (consisting of the current financial year and the two previous financial years).

5.4 To administer De Minimis it is necessary for the Council to establish that the award of aid will not result in the undertaking having received more than €200,000 of De Minimis aid. The Government has made available a sample De Minimis declaration which the Council may wish to use, to discharge this responsibility.

5.5 The UK is scheduled to leave the EU on 29 March 2019. If there is an Implementation Period, the State Aid rules will continue to apply as now and will be subject to control by the EU Commission as at present. If the UK leaves the EU without a negotiated Withdrawal Agreement, the Government has announced its intention to transpose EU State Aid rules into UK domestic legislation, with only technical modifications to correct deficiencies with the transposed EU law to ensure the regime operates effectively in a domestic context. The Council should therefore continue to apply State Aid rules, including De Minimis, to the relief for 2019/20 and 2020/21

Lawyer consulted 03.01.19 *Legal ref: 007956-JOINT-OD*

6 Risk management

6.1 Whilst the scheme is not mandatory, failure to implement the policy to support retail businesses could cause reputational damage to the council.

7 Equality analysis

7.1 An Equalities and Fairness impact assessment has been completed and submitted to the Equality and Fairness Planning Group and no quality issues were identified by the group.

7.2 It is our view that the policy is robust and evidence shows no potential for discrimination. If, however, any issues are identified in the consultation, or during the first year of implementation, these will be reviewed and, if appropriate, changes will be made to the policy for 2020/21.

8 Appendices

- Appendix 1 – Retail Relief Policy
- Appendix 2 – Consultation Outcome (to follow)

9 Background papers

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

- Ministry of Housing , Communities & Local Government: Letter to Chief Finance Officers of English Billing Authorities https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/761826/BRIL_5_-_2018.pdf
- Ministry of Housing, Communities & Local Government: Business Rates: Retail Discount – Guidance https://www.gov.uk/government/publications/business-rates-retail-discount-guidance

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STRONGER together

Lewes District Council

EASTBOURNE Borough Council

Working in partnership with Eastbourne Homes

Business Rates Retail Discount Policy

Document name:	**Retail Discount (draft)**
Document type:	Policy

Authority(ies) covered:	Aligned
Responsible (Executive Lead):	Nick Ducatel Functional Lead for Growth and Prosperity
Accountable (Operational Lead):	Calvin Burcombe Account Management Manager
Version (e.g. first draft, final report):	V01
Approved by:	Cabinet
Date of publication:	To be confirmed
Revision due:	Not required
Final Equality and Fairness Analysis (EaFA) report approved by:	Director/Assistant Director - TBC
Date final EaFA report approved:	TBC

Contents

1. Introduction

1.1. Central government announced in the Autumn Budget on 29 October 2018 that it would provide a new discount scheme for retail properties that have a rateable value of below £51,000.

1.2. Properties that will benefit are those that are occupied hereditaments that are wholly or mainly used as shops, restaurants, cafes and drinking establishments.

1.3. Eligible ratepayers will receive a one third discount of the daily chargeable amount. The discount will have effect for 2019/20 and 2020/21.

1.4. The grant of the discount is discretionary and local authorities are expected to use their powers, introduced by the Localism Act (under section 47 of the Local Government Finance Act 1998) to grant the new discount.

1.5. Central government will reimburse authorities and major precepting authorities within the rates retention scheme for the actual costs to them under the rates retention scheme for discounts that fall under this scheme.

1.6. The decision to grant or not to grant retail discount is a matter purely for the council. The council's policy for granting other discounts can be found on the council's website www.lewes-eastbourne.gov.uk

2. Qualifying Properties

2.1. The Government, whilst not changing the legislation around the discounts available to properties, has set out eligibility criteria.

2.2. Their guidance considers qualifying properties to mean:

Hereditaments that are being used for the sale of goods to visiting members of the public:

- Shops (such as florists, bakers, greengrocers, butchers, greengrocers, jewellers, stationers, off licenses, chemists, newsagents, hardware stores, supermarkets etc.)
- Charity shops
- Opticians
- Post Offices
- Furnishing shops/display rooms (such as carpet shops, double glazing, garage doors)
- Car/caravan showrooms
- Second hand car lots
- Markets
- Petrol stations
- Garden centres

- Art galleries (where art is for sale or hire)
- Licensed sex shops

Hereditaments that are being used for the provision of the following services to visiting members of the public:

- Hair and beauty services (such as hairdressers, nail bars, tanning shops, tattoo parlours and body-piercing services)
- Shoe repairs/key cutting
- Travel agents
- Ticket offices e.g for theatre
- Dry cleaners
- Launderettes
- Funeral directors
- Photo processing
- Tool hire
- Car hire

Hereditaments that are being used of the sale of food and/or drink to visiting members of the public:

- Restaurants
- Takeaways
- Sandwich shops
- Coffee shops
- Pubs
- Bars

2.3. The above lists are not exhaustive and it is for authorities to determine if particular properties not listed are broadly similar in nature those above and, if so, to consider them eligible for discount.

3. Non-qualifying Properties

3.1. Properties that are being used for the provision of the following services to visiting members of the public:

- Financial services (e.g. banks, building societies, cash points, bureaux de change, payday lenders, pawn brokers)
- Gambling establishments (e.g. betting shops and amusement arcades)
- Other services (e.g. estate agents, letting agents, employment agencies)

- Medical services (e.g. vets, dentists, doctors, osteopaths, chiropractors)
- Professional services (e.g. solicitors, accountants, insurance agents, financial advisers, tutors)
- Headshops or those selling legal highs and similar paraphernalia and Vape and e-cigarette shops
- Royal Mail sorting offices

4. Amount of Discount available

4.1. Over the past few years, a number of schemes have been led by Central Government but without specific legislative changes. These are administered under s47 of the Local Government Finance Act 1988 and guidance is often provided. The councils are keen to support such initiatives especially when they are designed to support local businesses and will look to maximise both the discounts given as well as maximising any grants receivable. However the council reserves the right to vary its approach where thought appropriate.

4.2. Eligible ratepayers will receive a one third discount of their of their net rates bill. There is no discount available under the scheme for properties with a rateable value above £51,000. Discount is only applicable in respect of occupied properties and is calculated on a daily basis.

4.3. The discount is applied against the net bill after all other Mandatory and Discretionary reliefs are taken into account.

4.4. Ratepayers that occupy more than one property will be entitled to discount for each eligible property, subject to State Aid de minimis levels.

4.5. European Union competition rules generally prohibit Government subsidies to businesses. Relief from taxes, including non-domestic rates, can constitute state aid. Rate discount for charities and non-profit making bodies is not generally considered to be State Aid, because the recipients are not in market competition with other businesses. However, where other bodies receive relief and are engaged in commercial activities or if they are displacing an economic operator, or if they have a commercial partner, rate discount could constitute state aid.

4.6. Discount will be State Aid compliant where it is provided in accordance with the de minimis regulations (1407/2013). The regulations allow an undertaking to receive up to 200,000 euros of de minimis aid in a three year period (consisting of the current financial year and the two previous financial years).

4.7. Where the relief or discount to any one business is greater than the de minimis level, then permission will need to be obtained from the European Commission.

In such cases the matter will be referred to the MHCLG (Ministry of Housing Communities and Local Government) for advice and then referred back to the council for consideration. It will be for the ratepayer to provide confirmation as to whether the State Aid provisions apply to them.

4.8. In all cases, where retail discount is to be granted or where liability is to be reduced, ratepayers will be required to provide the council with sufficient information to determine whether these provisions are applicable in their case.

5. Applications

5.1. Initially the discount will be applied to all properties considered eligible through the information held on the Business Rates database held by Eastbourne Borough Council and Lewes District Council.

5.2. Ratepayers will be required to notify the council if they do not meet state aid requirements, or the level of discount exceeds the de-mininis threshold.

5.3. Eligible ratepayers will be notified of the amount of Retail discount awarded by the issue of a new bill. The discount will be awarded by means of a reduction shown on the bill to the ratepayer. Where this puts the account in credit for the year, a refund will be made by the Council.

6. Appeals

6.1. Where the council receives an appeal from the ratepayer regarding the granting, non-granting or the amount of any retail discount, the case will be reviewed by the Senior Specialist Advisor. Where a decision is revised then the ratepayer shall be informed, likewise of the decision is upheld.

6.2. Ultimately the formal appeal process for the ratepayer is Judicial Review although the council will endeavour to explain any decision fully and openly with the ratepayer.

7. Variation and amendment of Discount

7.1. Where any award is granted to a ratepayer, the council will require any changes in circumstances which may affect discount to be reported as soon as possible. This will be important where the change would result in the amount of the award being reduced or cancelled e.g. where the premises become unoccupied or is used for another purpose other than that determined by the council as eligible for discount.

7.2. Where a change of circumstances is reported, the discount will, if appropriate be revised or cancelled.

8. Fraud

8.1. Where a ratepayer falsely claims a discount, falsely provides information, makes false representation, or deliberately withholds information in order to gain a discount, prosecutions will be considered under the Fraud Act (2006).

Report to:	**Cabinet**
Date:	**6 February 2019**
Title:	**Disabled Facilities Grant Policy**
Report of:	**Director of Service Delivery**
Cabinet member:	**Cllr Shuttleworth**
Ward(s):	**All**
Purpose of report:	**To introduce a shared EBC/LDC Policy for Disabled Facilities Grants (DFG's) following budget allocation from the Better Care Fund**
Decision type:	**Key decision**
Officer recommendation(s):	**To approve the Disabled Facilities Grant Policy**
Reasons for recommendations:	**Introducing discretionary elements will:** • **Allow the fast track adaptations approach in line with the best practice from the National Audit Office MHCLG and the Department of Health and Social Care.** • **Take account of the increase in labour and material costs** • **Increase the incentive for residents to move to a more suitable property** • **Provide a safety net for cases of genuine hardship** • **Allow fees to be paid for feasibility studies** • **Introduce Hospital Discharge Grants**
Contact Officer(s):	**Name: Rebecca Wynn** **Post title: Senior Specialist Advisor Housing Standards** **E-mail: Rebecca.wynn@lewes-eastbourne.gov.uk** **Telephone number: 01273 085491**

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1 Introduction

1.1 It is a statutory requirement that the Local Housing Authority's Private Sector Housing Renewal Strategy includes a Financial Assistance Policy in respect of grant aid. Appendix A is the revised Disabled Facilities Grant (DFG) Policy

introducing a new Discretionary DFG (from page 7) to allocate additional grant funding in line with the Better Care Fund (BCF)

1.2 In 2014 the funding of DFG's moved from DCLG ownership to become part of the BCF. This was a fundamental shift of policy removing the previous 'ring fencing' of how DFG's could be spent. The introduction of the BCF came at the same time as the Care Act 2014 with legislation encouraging local authorities to 'collaborate, cooperate and integrate'.

1.3 The Care Act reforms introduced in April 2018 focus on wellbeing, prevention and delaying the need for social care. In support of these principles, the 2018 Spending Review included over £500 million for 2019-20 for the Disabled Facilities Grant encouraging Councils to be adopt policies that embrace the BCF.

1.4 The DFG needs to evolve if it is to remain relevant for the next decade and beyond. The DFG should no longer be a stand-alone service but part of a package of provisions to help people remain independent.

1.5 The aims of the discretionary element of the policy are:

- to improve the lives of people with disabilities to meet their care and mobility needs by enabling them to live independently with privacy and dignity.
- To allow more effective use of the Better Care Fund, cutting out bureaucracy and increasing flexibility, contributing to the aims of the fund.
- To reduce the need for domiciliary and residential care by allowing people with disabilities to live more independently in their own homes.
- To provide advice, information and support regarding the adaptation of properties to meet accessibility needs, and provide a framework of assistance to vulnerable groups.

1.6 For this reason it is recommended that Cabinet agree the Disabled Facilities Grants Policy with respect to the discretionary element, reflecting how the increase in funding can be best spent to achieve improved outcomes for the most vulnerable people in the Eastbourne area.

2 Proposal

2.1 The mandatory element of the policy has not changed, the recommended six discretionary elements (from page 7 in the policy) are:

i) Fast Track Grants - There will be a £8000 threshold before a means test is needed, or if the adaptation includes only one prescribed item. There will also be no means test for hospital discharge cases or palliative care applicants identified by health or social care professionals.
Reason - These proposals will reduce not only the risk of residents experiencing accidents and requiring acute care, but they will ensure that work can be carried promptly allowing people to return from hospital without unnecessary delays. The means test does not take into account a

person's outgoings which can be substantial when living with a disability.

ii) Maximum grant for disabled facilities - It is proposed that an additional £20,000 be made available as 'top up' from the DFG budget before recourse to funding from ESCC. This would be on top of the mandatory £30k limit.
Reason - The cost of building materials and labour has risen considerably in the 9 years since the £30,000 limit was introduced but the mandatory maximums have remained the same. It has been found that if top up is not available the grant/adaptation work does not go ahead and presents a risk to the disabled person and will have onward implications to all aspects of health and social care. A maximum grant of £50k would assist in funding extensions when needed, especially for disabled children.

iii) Home Relocation - To provide up to £10,000 towards removal costs of moving to a property which is deemed suitable either for immediate use or for adaptation at reasonable cost. The expenses may include estate agent's fees, solicitor's fees, stamp duty, removal costs and necessary white goods. Private rental tenants will be eligible for up to £2,000 for moving to an adaptable property.
Reason - In some cases, it is considered that moving home is more appropriate to meet the needs of a disabled occupant, when it is not reasonable or practicable to adapt the existing home.

iv) Hardship DFG - There are a small number of cases each year where DFG applicants have a means tested contribution but have insufficient capital to meet that obligation. Currently they are guided to Parity Trust for a loan to cover their contribution. If Parity Trust is unable to approve a loan (i.e. the applicant will be left in unnecessary financial hardship by making loan repayments) the Council will provide discretionary funding to a maximum of £10,000.
Reason - The DFG means test solely considers income and does not take into account the applicant's outgoings. Families with high mortgages can be assessed as having a high contribution with no means of paying it. These families can also sit just above the benefit threshold i.e. have a small income and are penalised as being assessed as having a high contribution.

v) Feasibility assistance - Fees for technical support are not payable until a grant is approved. It is proposed that a discretionary grant of up to £1,000 per household is available to fund feasibility studies for complex cases before the grant process commences.
Reason - Some cases fail before approval for technical reasons, refusal of planning or building regulations permission, where a great deal of work has been carried out in the design. Providing funding for a feasibility study will save time and resources and prevent the applicant from funding such costs up front without guarantee of receiving a grant.

vi) Hospital Discharge Grants - Where there is no funding available from NHS continuing healthcare and the only reason a patient cannot return home is that a simple adaptation or heating repair is required a fast track

grant to a maximum of £3500 would be supported. Such interventions may include, but are not restricted to; decluttering, deep cleaning, and clearing properties to enable a supportive visit from an OT.
Reason - This supports the BCF criteria to enable safe and suitable accommodation when a patient returns from hospital, to prevent bed blocking and any unnecessary returns to hospital.

vii) Local Land Charge for Discretionary Funding - It is proposed that any discretionary funding should be registered as a local land charge against the resident's (owner occupier's) property for 10 years following the completion of work. The land charge relating to mandatory grants is up to a maximum of £10,000 when the cost of work is over £5,000. The proposed land charge relating to discretionary grants would be applied to all funding over the mandatory £30,000, resulting in a total maximum land charge of £30,000 (i.e. £10,000 for mandatory and £20,000 for discretionary.)
Reason - This would give some protection to the budget by recycling funds should the BCF discontinue.

3 Financial implications

3.1 We are seeking authority to release £375,000 of the £1.9 million DFG budget for discretionary funding. Listed below are the estimated projected budgets for each key initiative per financial year:

a) Fast Track Grants – £100,000

b) Increase in maximum amount - £200,000

c) Home relocation - £30,000

d) Hardship - £30,000

e) Feasibility Assistance - £5,000

f) Hospital Discharge - £10,000

g) Estimated amount of discretionary DFG to be recycled per year– £50,000

3.2 The expected DFG spend this year is in the region of £1million which includes the cost of County's integrated OT scheme which will be funded from the DFG fund. With Mandatory and discretionary spend the estimate total is £1.4 million.

4 Legal implications

4.1 Under the Regulatory Reform (Housing Assistance) Order 2002, the Council may, for the purpose of improving living conditions in its area, provide assistance in any form to a person, to enable him or her to take the measures set out in paragraph 3(1) of the Order. These include:

- acquiring living accommodation (subject to certain conditions);
- adapting or improving living accommodation; and

- repairing living accommodation.

Paragraph 6 of the Order enables the Council to take any form of security (including a charge) in respect of the whole or part of any assistance granted.

The Council may only offer the assistance mentioned above if they have adopted a policy for the provision of assistance of that type, hence this report seeking such adoption. The Council must also, prior to offering assistance, give public notice of the policy adoption and make the policy available for inspection free of charge.

The changes recommended in the new policy represent a material variation of the Council's existing private housing renewal policy 2014-2019 and the disabled grant facilities arrangements. Changes of this nature require the approval of Cabinet.

Legal Team consulted 13/01/2019 *Legal ref: 007985-EBC-OD*

5 Risk management implications

5.1 A risk assessment has been completed in consultation with David Heath. No new risks will arise if the recommendations are implemented. If the Policy is not implemented the risk is that the Council do not spend their allocated DFG funds which will affect allocations in future years. The Council should have a current Private Sector Housing Financial Assistance Policy that is transparent, accountable, proportionate and consistent.

6 Equality Analysis

6.1 Submitted to the Equality and Fairness Planning Group for consideration. Background paper available from the report author.

7 Appendices

7.1 DFG Policy

8 Background papers

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

Recent DFG review:
https://www.foundations.uk.com/dfg-adaptations/dfg-review

Planning for the Better Care Fund (National Audit Office 2014):
https://www.nao.org.uk/wp-content/uploads/2014/11/Planning-for-the-better-care-fund.pdf

Integration and Better Care Fund Policy Framework 2017-2019:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/607754/Integration_and_BCF_policy_framework_2017-19.pdf

Innovation in Homes Adaptations: A Fresh Chance (Care and Repair England, 2016): https://homeadaptationsconsortium.files.wordpress.com/2013/10/integration-briefing-3-final.pdf

Equality Analysis available from the author.

Appendix 1

STRONGER together

Lewes District Council

EASTBOURNE Borough Council

Working in partnership with Eastbourne Homes

Disabled Facilities grants Policy 2019

Document name:	**Disabled Facilities Grants (DFG) Policy**
Document type:	Policy

Authority(ies) covered:	Aligned
Responsible (Executive Lead):	Gary Hall Head of Housing
Accountable (Operational Lead):	Rebecca Wynn Senior Specialist Advisor Housing Standards
Version (e.g. first draft, final report):	First draft
Approved by:	
Date of publication:	17 January 2018
Revision due:	17 January 2019
Final Equality and Fairness Analysis (EaFA) report approved by: Head of Housing	17 January 2019
Date final EaFA report approved:	TBC

Contents

1. Introduction

The Disabled Facilities Grant (DFG) is a mandatory grant, as provided by The Housing Grants, Construction and Regeneration Act 1996 (the 96 Act), available to all applicants, towards the cost of eligible works necessary to support people of all ages and tenure to live independently and safely in their own homes. Local Authorities have a statutory duty to provide DFGs to applicants who qualify. The Policy covers Lewes and Eastbourne Councils which are referred to as 'the Council' throughout the document.

This policy is in two parts:

1) Mandatory DFGs - sets out the mandatory legal framework for DFGs in accordance with the 96 Act including eligibility criteria and the prescribed means test assessment.

2) Discretionary DFGs – sets out the Council's policy to provide discretionary interventions to promote independent living and wellbeing. The Regulatory Reform (Housing Assistance) (England and Wales) Order 2002 (RRO) and latterly the Better Care Fund enable Councils to support the wider prevention agenda of housing, social care and health authorities. Whilst the Better Care Fund will primarily support private sector housing clients, if an intervention supports the Prevent agenda it will not exclude residents of Local Authority stock.

2.0 Mandatory DFGs

Mandatory grants are available for people who are registered disabled and meet the criteria of the 96 Act for works to:

- facilitate access by the disabled occupant to, from and within the dwelling (for the purpose of this grant a dwelling includes mobile homes and houseboats);
- provide essential facilities and amenities within the dwelling; and
- facilitate access to and from a garden by a disabled occupant or making access to a garden safe for a disabled occupant.

2.1 Eligibility

All owner-occupiers and tenants, licensees or occupiers (meeting the statutory criteria set out in the Housing Grants Construction and Regeneration Act 1996) are eligible for DFGs. All applications must be supported by East Sussex County Council's (ESCC) Adult Social Care or Children's Services Department.

Council tenants can apply for adaptations but unless they meet the Better Care Fund criteria they will not be funded via the DFG process as all works are funded from the Housing Revenue Account. The Council works closely with Housing Associations to deliver adaptations and whilst Residential Social Landlords (RSLs) are expected to build funding into their business plans there is a statutory duty for Councils to approve DFG's across all tenures. LDC will therefore work with each Housing Association in its area to develop robust and equitable funding agreements which are reviewed on an annual basis.

2.2 Application

In order for the Council to consider awarding a DFG a complete and valid application must have been received. Such an application consists of:

- A completed application form.
- A minimum of two complete estimates from different contractors detailing particulars of all relevant eligible works.
- An Occupational Therapist's (OTs) recommendation detailing the relevant works.
- Details necessary to apply the test of resources (means test)
- Details of any fees or charges, e.g. architect's or agent's fees. These will normally not exceed 12.5% of the eligible expenses for major adaptations and no more than 7% for the provision of equipment.
- Certificate of Future Occupation (normally 5 years)
- Proof of Title.

Where appropriate:

- Owners Consent
- Freeholders consent
- A Tenant's Certificate
- A Certificate of Intended Letting
- An Occupier's Certificate

All valid and completed grant applications are to be determined no later than six months after a completed application is received by the Council. The Council may exercise its discretion to determine that grant monies will not be paid before a specified date (which cannot be later than 12 months after the date of application).

2.3 Estimated Expenses

In determining the estimated expense and calculating a DFG the following elements are considered:

- Which of the relevant works are eligible for grant 'the eligible works'.

- The amount of the expenses to be properly incurred in the execution of the eligible works.

- The lowest estimate that meets the specification usually wins the tender, however the customer may select a higher value tender provided they are willing to pay the difference between their preferred contractor's estimate and the lowest.

- Costs attributable in relation to grant works, i.e. fees and charges.

- Extended warranties for external stair lifts, communal stair lifts, through floor lifts and wash-dry toilets, automatic doors, and rise and fall baths.

- The grant is means tested and the amount of grant paid will be determined by a 'test of resources' that determines the applicant's contribution to the works. The mandatory grant will not exceed £30,000.

If the grant applicant is unable to meet their assessed contribution they can apply for a Home Trust Loan under the Council's subsidised loan scheme. In such circumstances the Housing, Health and Safety Rating system (HHSRS) criteria does not have to be met, providing the DFG has been assessed as being necessary and appropriate, reasonable and practical.

Any work that falls outside the criteria for mandatory DFGs will be referred to ESCC's Social Services Department for their consideration under the Chronically Sick and Disabled Persons Act 1970.

Applications in respect of disabled children and young people under the age of 19, who are dependant, are exempt from the means test.

2.4 Commencement of Works

Work cannot commence before the grant is approved. Any works started before grant is approved will not be grant aided.

2.5 Minor Works

If an adaptation is expected to cost below £1,000 then it will be considered to be a Minor Adaptation and East Sussex County Council will arrange for the works to be completed and a referral will not be made to Lewes and Eastbourne Councils.

2.6 Supervision and Payment of Grant

Council Officers will inspect the grant works during their progress and, subject to satisfactory execution; officers can recommend the Authority makes interim payments. Final payments will be made on the Officer's satisfaction that the works have been completed satisfactorily and on receipt of the builder's (or in the case of materials, suppliers) invoice.

Payments will be paid directly to the builder/agent unless the applicant has indicated otherwise.

NB The Council Officers act on behalf of the Authority to ensure public funds are spent correctly and value for money is achieved. Applicants must be aware that Officers do not act on their behalf. There are therefore no guarantees as to the quality of workmanship and any disputes arising between applicants and their contractors are the applicant's responsibility.

2.7 Conditions of Grant

The eligible works must be undertaken by the contractor(s) who provided the approved estimate(s) included in the application. We may vary this requirement where we consider there is a genuine reason to do so and it is in the interest of achieving the OT's recommendations. Prior permission shall be obtained in writing from the Council by the applicant before any change in contractor takes place. The use of a different contractor to one included in the application without our permission may result in our cancellation of the grant and/or repayment by the relevant person.

We will consider re-determining a grant approval where the eligible works cannot be completed without carrying out unforeseen further works or where the works are required to ensure the property is free from Category One Hazards. Unforeseen works will only be considered for financial assistance by the Council where work has not been started prior to the work having been agreed as 'unforeseen work' by the Council.

If applicants are required to contribute to the grant, this must be paid and satisfactory evidence provided that payment has been made, i.e. a signed and dated receipt, before the Council will make any grant payment.

Where works are taking place in addition to grant aided works, but which are not grant aided and are funded by the applicant, these works must be completed and paid for by the applicant before any payment will be made with respect to the grant aided works.

Grant aided work must meet all the OT's recommendations unless the OT has given written approval of an alternative suitable scheme.

In the event of a breach of any of the conditions set by the Council, we may demand payment from the applicant/owner/occupier/landlord/trustee/beneficiary (whichever is appropriate) a sum equal to the amount of the grant paid or any instalments of grant paid. We have the discretion either not to demand repayment, or to require payment of less than the full amount.

2.8 Local Land Charge

A Local Land Charge will be placed on the owner/occupiers adapted property where the cost of the DFG exceeds £5,000, limited to a maximum of £10,000. The Charge will be incurred if the property is sold within 10 years.

The grant will be registered as a Local Land Charge and will be enforced when the applicant has disposed (whether by sale, assignment, transfer or otherwise) of the premises in respect of which the grant was given. In which case the Council may demand repayment of up to £10,000, inclusive of any fees or charges.

The applicant shall, from the certified date throughout the grant condition period of 10 years, notify the Council of their intention to sell or otherwise dispose of the property. Pursuant to this condition the applicant shall furnish the Council with any information reasonably requested by them in connection with such notification.

2.9 Agents

All applicants are encouraged, though this is not a mandatory requirement, to enlist the services of an agent, architect or architectural technician or surveyor to assist them in the process of application where the adaptation involves building alterations. Agency assistance is not normally required where the adaptation involves the straightforward installation of lifting equipment e.g. stair lifts. Agents fees are grant aided. Fees will be no more than 12.5% (excluding VAT) of the eligible work and not more than 7% on equipment.

2.10 General Expectations

The Council's decision making will take into account the following specific expectations and presumptions:

Grant works should properly and fully meet the assessed needs of the client. Grants that only partially meet those needs will only be considered in exceptional cases.

Works funded by means of DFG will be the simplest and most cost-effective adaptations that will meet the client's assessed needs. This will include 'making-good' any works, such as painting disturbed areas.

Wherever the Council judges it to be a practicable and realistic option, the re-arranging and/or change of use of existing rooms will be the preferred solution and

will take precedence over both the construction of extensions and the installation of equipment. This solution will also take precedence if it will result in a reduction in the requirement for, or cost of, equipment.

Applications for grant aided work will not normally be considered where works have started but have not been completed or where work has been completed.

3.0 Discretionary Disabled Facilities

3.1 The Better Care Fund

In 2015 £3.8 billion was pooled into a single budget for health and social care services to work more closely together – the Better Care Fund. The Fund provided an increase in funding for home adaptations and related opportunities to improve integration between health and housing services, in particular to reduce hospital admissions and allow early hospital discharges.

The Better Care Fund is contributing to the additional allocation for DFGs provided to Lewes and Eastbourne Councils under a determination from Central Government. The grant aims to improve health and wellbeing by encouraging more flexible and instant availability of DFG monies. The Councils will encourage and consider any bid for funding from the Better Care Fund for schemes which will demonstrably support the stated purposes of the Fund, whether from individuals or from organisations, to support individual disabled people within a housing adaptation setting.

It is important to note that discretionary funding will only be available for eligible works, i.e. those meeting the mandatory DFG criteria. The Discretionary process will also mirror the mandatory process in terms of application, payment and conditions. Discretionary grants are subject to funds being available and mandatory grants will be prioritised first.

Discretionary provision will be reviewed within one year of its adoption to consider which flexible DFG works arrangements will continue after the first year. All flexible DFG works are discretionary and may be withdrawn by the Council at any time.

3.2 Discretionary Provision

There are six discretionary elements**:**

3.2.1 Fast Track grants

The Council will remove the financial assessment i.e. means test for DFGs in the following instances:

- For all works where the cost of the approved grant does not exceed £8,000.

- If the costs exceed £8,000 for the following types of adaptation requests submitted by the OT, providing the request contains only one of the following items:
    - Level Access Showers
    - Stair lifts
    - Through Floor Lifts
    - Ceiling Track Hoists
    - Wash-dry toilets
- If there are several elements to the work i.e. a shower and a ramp, and the applicant is assessed to have a contribution then the first £8000 would be funded by a DFG before they have to contribute.
- If additional works are required after approval of the grant that would increase the cost of works above £8000 then no retrospective means test would be applied.
- Hospital discharge in urgent/extreme circumstances where cases are identified by health and/or social care professionals.
- For palliative care applicants, in consultation with health and/or social care professionals, including where the costs exceed £8000.

3.2.2 Maximum Grant Amount

With the increase in the cost of building material and labour in the 9 years since the £30,000 limit was introduced, an additional £20,000 will be made available as 'top up' from the DFG budget before recourse to funding from ESCC. For any work above 50k the Council will match fund any top up offered by ESCC to a maximum of £10,000. For example if the cost of work was 60k, the Council would fund 55k of the work and ESCC contribute 5k. A Local Land Charge will be applied, see below for details.

3.2.3 Relocation Expenses

In some cases, it is considered that moving home is more appropriate to meet the needs of a disabled occupant, and it is not reasonable or practicable to adapt the existing home.

Relocation expenses up to a maximum of £10,000 will be considered at the Council's discretion where the property is not cost effective to adapt. The new property must either be already adapted or be adaptable at a reasonable cost. The expenses may include estate agent's fees, solicitor's fees, stamp duty, and/or removal costs.

This grant may be used towards the cost of purchasing a new home where the applicant owns their existing home or for moving to alternative rented accommodation for an existing tenant. The Council will also offer up to £1,000 for

applicants living in the private rented sector to move to a more suitable rental property to cover reallocation expenses.

3.2.4 Hardship DFG

Where DFG applicants have a means tested contribution but have insufficient capital to meet that obligation they are guided to Parity Trust for a loan to cover their contribution. If Parity Trust is unable to approve a loan (i.e. the applicant will be left in unnecessary financial hardship by making loan repayments) the Council will provide discretionary funding to a maximum of £10,000 for eligible work. Assistance will be awarded on a case by case basis, and is aimed at stopping applicants facing hardship in order to receive appropriate adaptations to their home.

3.2.5 Feasibility Studies

Where complex work is anticipated, or where preliminary investigations/work is required to determine whether a grant is viable the Council will, at its' discretion, provide £1000 towards a feasibility study/preliminary work before a grant is approved. If a grant is then awarded the £1,000 will be included in the grant and not be an additional amount.

3.2.6 Hospital Discharge Grants

The Council at its discretion may pay up to £3,500 to support people with disabilities or vulnerabilities being discharged from hospital. The Hospital Discharge Grant will not be means tested. The funding will only be available if there is no other relevant heath or social care funding obtainable, and following a referral from an OT or relevant healthcare professional. The Hospital Discharge grant excludes packages of care funded by NHS continuing healthcare. Example of interventions which may be carried out include, but are not restricted to; decluttering, deep cleaning, clearing properties, repairs needed to free a property of Category 1 Hazards under the Housing Health and Safety Rating System and repair of heating systems.

3.2.7 Local Land Charge for Discretionary Funding

Any discretionary funding awarded over the mandatory £30,000 will be registered a Local Land Charge against the resident's (owner occupier's) property for 10 years following the completion of work. For any discretionary funding the Land Charge will be a maximum of £20,000 which will be in addition to the £10,000 maximum for mandatory work. The maximum land charge will be 30,000.

For example if the cost of work was £70,000 the Council would fund 60k (30k mandatory and 30k discretionary) of the work and ESCC be asked to contribute 10k. A Local Land Charge would be placed on the property for 30k (10k mandatory and 20k discretionary) which would be the maximum Land Charge possible.

4.0 The Equality Act 2010

The definition of disability is provided by the Equality Act 2010. A person has a disability for the purposes of this Act if they have a physical or mental impairment which has a substantial and long term adverse effect on their ability to carry out normal day to day activities. Schedule 1 of the Act expands on this definition including further definition of 'long term effects', normal day to day activities' and 'substantial adverse effects.'

However, there may be people who, whilst not meeting the substantial and long-term test, will have had needs identified and assessed under the NHS & Community Care Act 1990, The Carers (Recognition and Services) Act 1995, or The Carers and Disabled Children Act 2000, for whom an adaptation will form part of an appropriate service to address their needs.

All potential DFG applicants will be provided with suitable and sufficient support and guidance appropriate to their needs throughout the application process. All information will be transparent, easily understood and appropriately communicated. If, for whatever reason a DFG does not go ahead the applicant will be supported by an OT to ensure their health and welfare is not adversely affected.

All documents will be available in different formats and languages on request

5 Exemptions Policy

Grants not meeting the requirements of the above policy and criteria can be awarded at the discretion of the Director of Service Delivery in consultation with the Lead Member for Housing. Such an award will only be made subject to the provision of the Regulatory Reform (Housing Assistance) England and Wales Order 2002 and subsequent guidance.

Report to:	**Cabinet**
Date:	**6th February 2019**
Title:	**East Sussex Business Rates Pilot 2019/20**
Report of:	**Chief Finance Officer**
Cabinet member:	**Councillor Stephen Holt, Portfolio holder for Financial Services**
Ward(s):	**All**
Purpose of report:	**To update members on the East Sussex Business Rates Pilot bid for 2019/20.**
Decision type:	**Non Key**
Officer recommendation(s):	**1. The Cabinet agrees that Wealden District Council be nominated as the lead authority;** **2. Agree that Eastbourne Borough Council pilots 75% business rates retention, resulting in an additional anticipated gain of £0.2m over current pooling arrangements;** **3. Agree the basic principle that no authority will receive a lower level of funding than they would have received without the pool;** **4. Agree to split resources gained on the growth in business rates on the basis of the split being 26% to ESCC, 5% to the Fire authority and the remaining 44% split amongst the District/Borough Councils;** **5. Agree the financial stability and economic development split of funding; and** **6. Agree that the finalisation of the Memorandum of Understanding (Appendix A) is delegated to the Chief Finance Officer.**
Reasons for recommendations:	**The Government has invited councils to apply to be pilots of 75% rates retention. Based on the independent assessment carried out by LG Future, the Council is anticipated to benefit from the proposed arrangements. This report sets out the background to the pilot and informs Cabinet of the latest position.**
Contact Officer(s):	**Name: Homira Javadi** **Post title: Chief Finance Officer** **E-mail: Homira.Javadi@lewes-eastbourne.gov.uk** **Telephone number: 01323 415512**

1 Introduction

1.1 A new funding regime was introduced on 1 April 2013 whereby local authorities effectively retain a proportion of any additional business rate income collected (above inflation) or conversely will experience a reduction in resources if the business rates base declines.

1.2 Under the scheme 50% of business rates is localised through a system of top-ups and tariffs that fix an amount to be paid to high yield authorities and distributed to low yield authorities – the amount being increased annually by inflation (RPI). The proportion retained by individual collection authorities in East Sussex is 40%, 9% is payable to East Sussex County Council, and 1% to the Fire and Rescue authority.

1.3 The 50% central government share is distributed through the formula grant process (now termed Settlement Funding Assessment) – this enabling the government to control the overall amount received by local authorities. Where there is disproportionate growth this will be used to provide a safety net for those authorities experiencing little or negative growth and allows the treasury to top slice business rates income. A reset mechanism will be in the place with the first reset in 2020 and periods of 10 years thereafter.

2 Business Rates Retention Pilot

2.1 The government continues to work towards transferring control to local authorities over the locally generation business rate income. In December 2017, the government announced the aim of increasing the level of business rates retained by local government from the current 50% to the equivalent of 75% in April 2020.

2.2 In order to test increased business rates retention and aid understanding of how to transition into a reformed business rates retention system in April 2020, the government invited local authorities in England to apply to become 75% business rates retention pilots in 2019/20.

2.3 To ensure that piloting in 2019/20 closely reflects the government's proposals to date for a reformed business rates retention system, authorities selected as pilots in 2019/20 will be expected to forego Revenue Support (RSG) and Rural Services Delivery Grant (RSDG).

2.4 To help East Sussex councils develop a greater understanding of the potential financial implications of the pilot, LG Futures was commissioned to collate and advise on the financial viability of the scheme, modelling the key risks and identifying appropriate governance arrangements.

2.5 Based on the data, a report on the potential for East Sussex being a 75% Business Rates Retention Pilot was considered by Chief Executives/Directors of respective Councils and the Fire Authority where is was agreed unanimously that an application should be submitted on the basis of the arrangement and

recommendations in this report.

2.6 It was announced alongside the Local Government Finance Settlement on 6 December that the East Sussex bid was successful.

3 Outcome expected and performance management

3.1 For the 2018/19 financial year, the County Council, Districts and Boroughs and the Fire Authority are in a 50% Pool. This brings additional resources to the County area as it allows the pool to retain the levy otherwise charged on business rates. Under this arrangement, the retained levy (which is equal to 20% of the total growth) is split 40:50:10 across the County Council: Districts and Boroughs: Fire authority respectively. The split of this gain within a pool area is agreed locally. Without a pool the 50% retained rates growth would be split 90:10:1 respectively, with Districts and Boroughs having to pay 50% of their growth back to central government.

3.2 Table 1 below shows an analysis, based on District and Boroughs (National Non Domestic Return) NNDR1 - January 2018 forecasts, of business rate income in 2018/19 across authorities. Table 2 then shows the potential pilot gain over and above the pool by using the proposed pilot arrangements

Table 1 Current Pooling Gains

Authority	Forecast income £m	Pooling Gain Redistributed £m
	NNDR1 18/19	18/19 Pool Calculation
Eastbourne BC	15.6	0.3
Hastings BC	9.4	0.1
Lewes DC	11.0	0.2
Rother DC	8.4	0.3
Wealden DC	14.7	0.6
East Sussex Fire	1.5	0.3
East Sussex CC	13.3	1.3
TOTAL	**73.9**	**3.1**

Table 2 Potential Pilot Gains

Authority	Current Pool Split with Levy	Split	Pilot income 2019/20 £m	Pilot Gain £m
Eastbourne BC	30%	44%	5.0	0.5
Hastings BC			5.1	0.1
Lewes DC			3.2	0.4
Rother DC			3.4	0.4
Wealden DC			4.7	0.8
East Sussex Fire	3%	5%	8.0	0.3
East Sussex CC	17%	26%	81.8	1.7
TOTAL	**50%**	**100%**	**111.2**	**4.3**

3.3 In brief the financial case for a pilot is compelling, the gain for Eastbourne from the above modelling results in an addition £200,000 for 2019/20.

3.4 The pilot retention percentage related to growth only, not all rates. When agreeing to become a pilot grant income relating to RSG and RSDG will be rolled in for East Sussex. Therefore the risk is that retained growth does not cover the guaranteed grant income and the area could be worse off than if it operated under 50% arrangements.

3.5 There will be a Safety Net set at 95%, to reflect the additional risk locally that 75% retention introduces, and this will apply pilot wide and not to individual authorities, the safety net under the 50% scheme is 92.5%.

3.6 The business in East Sussex is largely supermarkets and retail and there is no one single or few large hereditaments that make up this yield. This means for East Sussex there would have to be a national event for business rates to fall significantly.

4 Splitting the Gains/Losses form Pooling

4.1 The allocation of resources is based on the following principles and are set out in the Memorandum of Understanding agreed by all the participating authorities.

4.2 Each individual authority, if resources allow, will receive at least the same level of funding they would have received without the 75% Pool (i.e. Authorities acting as a 50% pool).

4.3 Any additional resource that is generated will be shared by pool members using the basis of allocation below. This allocation methodology looks to rewarding members of the pool for achieving business rate growth.

4.4 The underlying basis of allocation is as follows:

a) The running costs of the pool, if any, will be initially paid by the lead authority and will be paid to them on a pro rata basis (based on the increased resources from being in the pool)

b) If after (a), there are still resources to be distributed, then authorities will retain their own growth, based on the following local shares:

Tier	Proportion
County	26%
District	44%
Fire	5%
Total	**75%**

c) Where the pool makes a loss, the loss will be funded by each Pool Member proportional to the cash amount that would have been received from central government if the Pool arrangement was not in operation from the business rate retention scheme.

4.5 Wealden DC is currently the lead authority for the current pooling arrangement and are prepared to undertake that role for the 75% Pilot. It has already been agreed that LG futures will be contracted to advise the pool in 2019/20, and this will provide a degree of objectivity and impartiality for all parties. The very limited costs being shared equally between the seven authorities.

4.6 The government have an expectation that pilot Councils will demonstrate how they will use the gains to benefit their local area. In relation to the Eastbourne Borough Council, the Chief Finance Officers recommend the following:

a) Financial Stability Element - equivalent to 50% gain under the current pooling arrangements – (£300,000)

b) The Economic Development Element – this will be the 25% additional gain from the pool – (£200,000)

5 Financial appraisal

5.1 There are some very significant additional resources available as identified with the report. A pan East Sussex pilot is seen as ideal given the potential use of some or all of the monies for economic development within the area.

5.2 The latest modelling indicated that Eastbourne Borough Council could receive an additional £490k from being a member of an East Sussex Business Rates Pilot.

6 Legal implications

6.1 Rates Pooling is permitted by virtue of Part 9, Schedule 7B, Local Government

Finance Act 1988 as amended.

7 Risk management implications

7.1 The key risk revolves around the reduction in the business rate taxbase. This could arise as a result of recession, companies closing down, or the level of rating appeals that are still outstanding resulting in larger then estimated reductions in rateable values. The report by LG Futures considers that the pool of an overall loss from losing two of the highest ratepayers for a region, without warning, and for a whole year, as unlikely. Likewise in terms of the economic picture, this is currently improving with growth in business rates base being forecast locally in 2019/20.

7.2 The level of risk is linked to the size of the forecast gain, with the higher forecast gain, the lower the risk.

7.3 The pool is treated as single authority and all risks and rewards are shared, therefore any loss by one member will reduce the income of the others.

8 Equality analysis

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8.1 There are no equality implications to this report.

9 Appendices

Appendix 1 – East Sussex Business Rate Pool – Memorandum of Understanding.

10 Background papers

75% business rates retention pilots 2019 to 2020: prospectus (https://www.gov.uk/government/publications/75-business-rates-retention-pilots-2019-to-2020-prospectus)

Appendix 1

East Sussex Business Rate Pool

Memorandum of Understanding

This Memorandum of Understanding is made between

- East Sussex County Council
- East Sussex Fire Authority
- Eastbourne Borough Council
- Hastings Borough Council
- Lewes District Council
- Rother District Council
- Wealden District Council

(Together referred to as the 'Pool' or 'Pool Members').

1. Purpose

1.1 The main aim of the pool is to maximise the retention of locally generated business rates. The modelling work that has been undertaken by the Pool Members demonstrates that financially the pool area would retain a greater share of business rates revenue through pooling than it would otherwise do, as long as it experiences economic growth. This will act as a further incentive for all the pooling authorities to proactively work together to drive economic growth within the pool.

1.2 It is the purpose of this Memorandum of Understanding to act as a Statement of Intent that will support the realisation of these benefits. The Pool Members have agreed to enter into this Memorandum of Understanding to formalise their commitment and to set out their respective roles and responsibilities.

2. Glossary of Key Terms

2.1. There are a number of technical terms used throughout this document. The meanings of these terms are as follows:

Levy

A formulaic mechanism to pay a percentage of additionally raised local business rates income over to central government when a target (set nationally for each billing authority) has been exceeded.

Pool

A voluntary arrangement amongst a group of local authorities to pool the business rates generated locally to allow a greater proportion of business rates growth is retained locally.

Safety Net

The additional funding received by an authority, from central government, if, in the government's opinion, the decline in business rates in any year would leave an authority with insufficient resources. Calculated using a national formula.

Lead Authority

The Pool member who will act as the lead in managing the Pool's resources and being the key contact between central government and the Pool

Schedule of Payments

The Lead Authority will prepare an annual schedule that reflects all the financial payments to be processed through the pool, clearly indicating the amount, timings of each payment and who needs to make what and payment to whom.

3. Key Principles

3.1. The Pool Members agree that they will operate the Pool in accordance with the following principles:

Increase in Resources

The Pool Members recognise that the fundamental objective of the Pool is to generate increased resources for the area, and individual Pool Members

Risk Management

The Pool Members agree to protect and mitigate as far as possible the risks associated with the level of business rate income. Income streams to the Pool Members may be more volatile, whether as the result of a one-off event (for example a successful large appeal) or something structural within an area (for example the closure of a major plant). The pooling arrangements should reduce this volatility.

Fairness

The Pool Members agree to share the costs, risks and benefits of local business rate retention proportionately. Pool Members should be no worse off than if they were outside the Pool.

Transparency, Openness and Honesty

Pool Members will be open and trusting in their dealings with each other, make information and analysis available to each other, discuss and develop ideas openly and contribute fully to all aspects of making the Pool successful. It also includes sharing data and intelligence outside of the formal reporting mechanisms on any substantive issues relating to business rate retention within their area.

Reasonableness of Decision-Making

Pool Members agree that all decisions made in relation to this Memorandum of Understanding shall be made by them acting reasonably and in good faith.

4. Binding Memorandum

4.1. This Memorandum of Understanding is produced as a Statement of Intent and, with the exception of Sections 5, 10 and 11, is not intended to be legally binding.

4.2. Sections 5, 10 and 11 are intended to be legally binding and to create obligations between Pool Members with immediate effect from the execution of this Memorandum of Understanding.

4.3. Pool Members have approved this Memorandum of Understanding in advance of the Secretary of State designating the Pool for the purposes of the Business Rates Retention Scheme. If the Secretary of State adds conditions to the designation, either initially or at any point in the future an immediate review of this Memorandum of Understanding, as outlined in Section 12, will be triggered.

5. Term of Memorandum

5.1. This Memorandum of Understanding is for the financial year April 2019 to March 2020.

- Written notice is given to other Pool Members and MHCLG in at least sufficient time for the Pool to remain in place for the remaining Pool Members, should they wish it to continue. Sufficient time is taken to be at least the time specified by MHCLG in regulations and/or guidance.
- All liabilities to and from the Pool are paid.

6. Decision-Making

6.1. The statutory finance officers (Chief Finance Officer) from each Pool Member shall collectively be responsible for overseeing the operation of the Pool and making recommendations to their respective authorities about the way forward.

6.2. The Lead Authority shall ensure that reports are sent to the Chief Finance Officer of each Pool Member at least on a quarterly basis updating them of the performance of the Pool and advising them of any issues. These reports should be available within six weeks of the quarter end.

6.3. The Lead Authority is able to appoint external support in order to assist with the undertaking of its responsibilities (as per section 9 below) on behalf of the pool. The costs incurred by the lead authority will be shared across the group, as outlined in section 11 below.

6.4. For the avoidance of doubt, any substantive decision e.g. commitment of resources, changes in governance or major operational changes shall be referred to each Pool Members' decision-making regime.

7. Dispute Resolution

7.1. The Pool Members shall attempt in good faith to negotiate a settlement to any dispute arising between them arising out of or in connection to this Memorandum of Understanding. If this cannot be resolved by the Chief Finance Officers it will be referred to a meeting of all Member authorities Heads of Paid Service for resolution.

8. Resourcing

8.1. Each Pool Member will provide the appropriate resources and will act with integrity and consistency to support the intention set out in this Memorandum of Understanding.

8.2. In the event that the Lead Authority needs to incur additional expenditure in order to administer the pool, any reasonable costs agreed by pool members should be the first call on additional business rates income retained by the pool (above what would have been received if the authorities had acted individually).

9. Lead Authority

9.1. Wealden District Councilwill act as the Lead Authority for the Pool.

9.2. The responsibilities of the Lead Authority are:

To make payments on behalf of the Pool to central government and Pool Members on time and in accordance with the schedule of payments,

To liaise with and complete all formal Pool returns to central government on behalf of Pool Members,

To keep Pool Members informed of all communications with central government,

To manage the resources of the Pool in accordance with this MoU,

To prepare quarterly reports and consolidate intelligence on future resource levels on behalf of the Pool,

To convene an urgent meeting of the Chief Finance Officers if there is the possibility that the pool could make a loss.

To prepare the annual report of the Pool's activity,

To co-ordinate the annual review and refresh of the Pool's governance arrangements and the methodology for the allocation of resources,

To consult on and administer a schedule of all payments in respect of all financial transactions that form part of the Pool's resources, and

To lead on the timely provision of the information required, by Pool Members, in preparing their annual Statement of Accounts in relation to the activities and resources of the Pool.

9.3. To assist the Lead Authority in fulfilling this role, the responsibilities of individual Pool Members are:

To make payments on time and in accordance with the schedule of payments,

To provide accurate, timely information to the Lead Authority to enable all formal Pool returns to central government to be completed,

To inform the Lead Authority, as soon as is practical, of any intelligence that may impact on the resources of the Pool either in the current year or in future years,

To provide such information as the Chief Finance Officers agree is reasonable and necessary to monitor/forecast the Pool's resources within the timescales agreed,

To provide such information as the Chief Finance Officers agree is reasonable and necessary on the use of the Pool's resources for inclusion in the Pool's annual report, and

To provide accurate and timely information on the end of year financial performance of the business rates collection fund to enable the Lead Authority to calculate the end of year accounting entries needed.

10. Cash Management

10.1. The governing principle for the cash management of the Pool is that no individual Pool Member, including the Lead Authority, should incur a cash flow gain or loss as a result of the transfer of funds between Pool Members.

10.2. The Pool will receive/pay interest annually on any retained resource at the average investment rate of the Lead Authority.

10.3. Interest will be calculated on an annual basis and allocated to Pool Members based upon a method agreed by the Chief Finance Officers.

10.4. Where the Pool is required to make a payment to the Secretary of State, each authority in the Pool is jointly and severally liable to make that payment.

10.5. Any late payment may be subject to a late payment interest charge at base rate plus 4%.

11. Allocation of Pool Resources

Principles

11.1. The allocation of resources will be based on the following principles:

Each individual authority, if resources allow, will receive at least the same level of funding they would have received without the Pool.

Any additional resource that is generated will be shared by pool members using the basis of allocation below. This allocation methodology looks to reward members of the pool for achieving business rate growth.

Basis of Allocation

11 .2. The underlying basis of allocation is as follows:

A: The running costs of the pool, if any, will be initially paid by the lead authority and will be paid to them on a pro rata basis (based on the increased resources from being in the pool.

B If after A, there are still resources to be distributed, then authorities will retain their own growth, based on the following local shares:

District Councils	44%
County Council	26%
Fire authority	5%

C: Where the pool makes a loss, the loss will be funded by each Pool Member proportional to the cash amount that would have been received from central government if the Pool arrangement was not in operation from the business rates retention scheme.

12. Review Arrangements

12.1. The pool is for 2019/20 only. If required during this period, the lead authority can undertake a review on behalf of the Chief Finance Officers and in sufficient time for any changes to be in place before the end of the following financial year.

13. Signatories on behalf of the Pool Chief Finance Officers:

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Body:	**Cabinet**
Date:	**6th February 2019**
Title:	**Proposal to transfer EBC Leisure Services facilities to be operated by Wave Leisure**
Report of:	**Director of Tourism & Enterprise**
Cabinet member:	**Cllr M Bannister**
Ward(s):	**Hampden Park, Old Town, Shinewater, Sovereign and Devonshire**
Purpose of the report:	**A report was agreed at Cabinet on 11th July 2018 to transfer the management of four EBC Leisure Centres, Regency Community Centre and Motcombe Pool to Wave Leisure; for operational reasons, authority for additional facilities to be included within this transfer is now required to include: a) Sovereign Harbour Community Centre, b) Use of seasonal football pitches across Old Town Rec. and Princes Park, and c) Tennis courts at Hampden Park and Old Town Rec.**
Decision type:	**Key**
Recommendation:	**Cabinet is recommended to:**

(1) Approve measures to create new Agreements with Wave Leisure to operate the four Leisure Centres (Eastbourne Sports Park, Hampden Park, Shinewater, Cavendish), Regency Community Centre and Motcombe Pool and now to include: a) Sovereign Harbour Community Centre, b) Use of seasonal football pitches across the following sites – Old Town Rec. Princes Park, c) Tennis courts at Hampden Park and Old Town Rec, as of 1st April 2019. To delegate authority to the Director of Tourism and Enterprise, in consultation with the Cabinet Member for Tourism and Enterprise, to negotiate and conclude any lease, contract, grant and other arrangements to allow for the operation of these Centres in the most efficient structure to achieve this outcome ensuring compliance with all legal requirements.

(2) Approve future monitoring of the Agreement provided by Wave in the form of an Annual Report to Cabinet.

(3) Agree that the delegations at (1) and (3) above include authorisation not to dispose by auction or invitation of tenders following public advertisement (sought under Contract Procedure Rule 18.1).

(4) Resolve that any leases to be granted to Wave Leisure to allow them to occupy premises outlined in this report will help the Council to secure the promotion or improvement of the social well-being of the Council's area.

Reasons for recommendations:	**To enable improved management and investment opportunities for the existing four 'dry' leisure sites, Regency Community Centre and Motcombe Pool and a) Sovereign Harbour Community Centre b) the seasonal football pitches across the following sites – Old Town Rec. Princes Park and c) tennis courts at Hampden Park and Old Town Rec; with an emphasis on improving community participation in sports activities and improving the well-being of the local community through a more active lifestyle.**
Contact:	**Phil Evans, Director of Tourism and Enterprise, Philip.evans@lewes-eastbourne.gov.uk (01323 415411).**

This report seeks additional approval for work to continue to negotiate a new concession contract or grant agreement with Wave Leisure to run the four Leisure Centres currently run by EBC; Regency Community Centre; Motcombe Pool, owned by EBC but operated by SERCO; and **a) Sovereign Harbour Community Centre. b) The seasonal football pitches at Old Town Rec. and Princes Park and c) tennis courts at Hampden Park and Old Town Rec.**

1.0 Introduction

1.1 Of the four dry side centres, three are based on school/college sites and subject to dual use arrangements with East Sussex County Council (ESCC)/ and the relevant school/college. The fourth centre is the Shinewater Sports Centre, which although next to a school has no formal user agreement in place. Both ESCC and two of the schools/colleges have confirmed that they wish these arrangements to continue. The JUA (Joint User Agreement) at the third site, Cavendish School, ends in April 2019 and three options were proposed to the School Board in July 2018. The preferred option was that the JUA is renewed more or less under the same terms. However as the school owns the facility they can opt to either run it themselves or chose an independent partner to operate with. When the JUA expires at Cavendish Sports Centre, then ESCC will no longer have any involvement in the site and the funding from ESCC will cease. Currently ESCC and Cavendish Academy contribute £12,500 respectively. Cavendish Academy has been clear that they are happy to enter in to a JUA with EBC after April 2019 and continue with the £12,500 contribution but are not in a position to increase the funding to cover the ESCC element.

The centres vary in age but most of the buildings, plant and key infrastructure are more than 25 years old. The buildings are designed primarily for community use and although functional and generally fit for purpose, have limited appeal to the visitor market. They are all located across the borough and some way from

the seafront but with close proximity to local housing. All four centres are used by community groups, local sports groups and schools.

1.2 At present the Sovereign Centre and Motcombe Pool are operated by Eastbourne Leisure Trust/Serco. The contract and lease with ELT ends in April 2019.

Motcombe Pool is a Victorian structure. Although it is generally in sound condition, it has suffered from equipment failure in the last year but this has now been repaired and the pool is operating normally. Motcombe is primarily a community pool used by local residents and schools.

1.3 Regency Community Centre - this Community Centre has core bookings Monday – Friday, generating a modest income and is hired out at weekends as a self-contained space for parties. A flat hire fee is charged and the centre is operated on a caretaker basis, with the centre unlocked and locked at the end of the day and the hirer, hiring on a dry hire basis

1.4 Sovereign Harbour Community Centre (SHCC) - The SHCC is due to open Spring 2019; the SHCC includes a café, a large sports hall, small sports hall and boardroom. The SHCC will be managed through a Duty Manager.

1.5 The use of the football pitches in both Princes Park and Old Town Rec will be transferred to Wave Leisure. This is a seasonal arrangement. Hampden Park and Old Town Tennis Courts are hard surface and were resurfaced and re-netted in 2016. Any other sites to be confirmed.

2.0 Rationale for working with Wave

2.1 Wave is a relatively small provider in the leisure centres field with its focus being on Lewes and the south-east. It is based in Seaford and has been operating since 2006. Over the past decade it has slowly expanded its remit to include eight leisure facilities and has contracts in Kent and East Sussex. As a smaller operator based on a not-for-profit model, all of its surplus is re-invested into its facilities. It is also very proactive in working with the wider health sector and has introduced innovative devices such as ‘Boditrax’ to enable users to monitor their health and well-being with the ability to work-out at home as well as in the gym. The system can also provide personalised body composition results including bone density, muscle mass, hydration levels, etc.

As part of its commitment to improving community health, Wave targets hard to reach groups such as the elderly, those recovering from medical treatment, people with disabilities and the very young, to encourage an active lifestyle. 23,000 older people in Lewes visited leisure centres in Lewes in 2017 participating in sports such as walking football. Wave’s commitment to community outreach, its experience in dealing with GP referrals and its drive to reduce hospital admissions will have wider non-economic impacts and benefits to support the Active Eastbourne Strategy and to contribute to our Equalities agenda.

2.2 The Sports & Leisure Services are currently operated by the Tourism and

Enterprise Department but priorities for investment in Eastbourne's discretionary provision have focussed more on developing the sport and cultural offer at Devonshire Park as part of the wider Devonshire Quarter redevelopment. The Sports & Leisure Services operate successfully but there has been very limited opportunity for investment in new kit or infrastructure.

2.3 The transfer of management to Wave will not present any specific monitoring issues. Wave will be required to produce an Annual Report to Cabinet demonstrating performance against an Annual Service Delivery Plan. In addition to this, specific Performance Indicators (PIs) will be created to feed into the Corporate Plan. There will be formal monthly reporting to the Head of Tourism and Enterprise to deal with routine management issues but ongoing communication will operate similarly to existing reporting arrangements.

2.4 Wave will be obliged to provide a Health and Safety Report to monitor any issues and to have an ongoing programme to reduce risk and liability.

2.5 EBC will maintain ownership of the buildings that it owns. We are currently in negotiation with Wave Leisure to agree the terms of the concession or grant agreement. It is likely that EBC will retain the liability for the owned sites and Wave Leisure will have the responsibility for all legislative and health & safety compliance.

2.6 One of the key aspirations of employing Wave is to drive up customer satisfaction based on their experience of operating leisure centres at Lewes, Maidenhead and other locations and the good customer feedback they receive, EBC will be looking to raise customer satisfaction at the Eastbourne sites. Regular Customer Satisfaction Reporting will be another integral component of the agreement.

3.0 Financial implication

3.1 There are financial implications presented by a transfer of EBC operations to Wave. It is proposed that the operating budget remains the same as at present. Wave Leisure will apply for full relief for NNDR which will release additional financial resources for the services. However additional operating budget will be required for Motcombe Pool and The Sovereign Harbour Community Centre (SHCC). The SHCC is yet to open; we have applied through the service and financial planning for a budget using speculative revenue and income figures. It is likely that the ongoing maintenance liability will remain with EBC

In line with the Energy Act 2011 Minimum Energy Efficiency Standards, the Council owned centres will be required to obtain a minimum EPC assessment of at least E before they can be leased out. This may result in works being required at an early stage, the cost of which would need to be an additional call on existing resources.

4.0 Corporate plan and council policies

4.1 This project will contribute to Thriving Communities: Active Communities agenda and supporting the Active Eastbourne Strategy.

5.0 Risk Management

5.1 One of the joint user agreements with East Sussex County Council will come up for renewal after 1st April 2019. The agreement at the Sports Park will need to be renegotiated in 2019 due to changes in the land use. EBC will lead on negotiations regarding the joint user agreements.

6.0 Legal Implications

6.1 In relation to the joint user agreements, the Council is undertaking due diligence to ascertain whether any specific notice or conditions are required to enable the operating element of the agreements to be transferred to Wave/new agreements entered into with Wave. The Council will only be able to grant/transfer to Wave the interest in the sites that it holds.

The Council's Contract Procedure Rules say that no lease of land where the estimated rent exceeds £25,000 per annum shall be made except after auction or the invitation of tenders or expressions of interest following appropriate public advertisement, unless authorised by Cabinet.

The delegations above include authorisation not to dispose by auction or invitation of tenders following public advertisement (sought under Contract Procedure Rule 18.1).

Where it is necessary for the Council to grant a lease (e.g. in relation to Regency Community Centre and Motcombe Pool and Sovereign Harbour Community Centre) the leases are to be structured so that the grant of the lease (i.e. the grant of a right to exclusive possession of land for a determinable period of time) is the main object rather than the delivery of detailed and enforceable service obligations (i.e. under a public service contract or public services concession contract). The lease of land and existing buildings by the Council is not in itself subject to the European public procurement regime and regulations.

The Council cannot dispose of land held in the general fund for a consideration less than the best that can be reasonably obtained in the market, except with the consent of the Secretary of State. Disposal includes leasehold sales where the lease term exceeds seven years.

The Secretary of State has given a general consent for the purpose of land disposals by local authorities (Circular 06/03). Specific consent is not required for the disposal of any interest in land that the authority considers will help it to secure the promotion or improvement of the economic, social or environmental well-being of its area. Disposal at less than best consideration under the general consent is subject to the conditions that: the undervalue does not exceed £2 million, the disposal is State Aid compliant, and the land is not held as housing land or under the Planning Acts. Therefore, all proposed transactions where the aggregate of "undervalue" exceeds the £2 million threshold will require the specific consent of the Secretary of State.

Recommendation (4) asks Cabinet to resolve that the leases will help the

Council to secure the promotion or improvement of the social well-being of the Council's area. This gives the Director scope to negotiate terms that may result in an undervalue provided that there are positive outcomes for social well-being.

Valuation advice will be needed to ensure that these requirements are complied with.

In disposing of any land or interest in land the Council must ensure that it does so in accordance with State Aid rules. The Director will have to ensure that the leases are compliant with State Aid rules. Typically this would be through the disposal at market value through (i) an open and unconditional bidding process or (ii) an expert valuation. In this case if the Council is intending to grant a lease on terms that provide a subsidy (i.e. not market value) then the comments on State Aid below will be relevant.

The Council is intending to provide Wave Leisure with funding (which may include a lease at less than market value) in relation to the operation of the facilities.

The funding will be provided under a grant agreement with Wave on terms which bring the agreement within the procurement regulations which do not require an OJEU Competition for certain qualifying contracts.

Such funding and other subsidy will be State Aid if it is an advantage given by public authorities on a selective basis to undertakings (broadly, organisations that put goods or services on a market) which could potentially distort competition and affect trade in the European Union. The arrangements proposed with Wave Leisure should fall outside of the definition of State Aid because the services provided cater to a local market and such activities will have no effect on cross border trade. In particular, Wave Leisure (as the beneficiary) only supplies services to a limited area within a Member State and it is unlikely to attract customers from other Member States so that the funding given to it by the Council will not have more than a marginal effect on the conditions of cross-border investments or establishment if any.

The amount of subsidy required can be benchmarked against current operating costs to ensure value for money.

Legal Advice reference - 15 January 2019 Ref: 007688-EBC-PB.

7.0 Equality analysis

7.1 Wave Leisure has a good record in terms of satisfying equalities and fairness objectives and is proactive in its inclusiveness agenda. It undertakes equality monitoring and reporting on its existing sites in Lewes. Under any new Agreement the same monitoring measures will be harmonised for the sites in Eastbourne. A full equality analysis will be carried out prior to the Agreement being signed and consultation with DIG will ensure that Wave adapts any measures needed to improve accessibility for Sports & Leisure Services.

Equality and fairness reports will be prepared in accordance with EBC policies and procedures.

8.0 Conclusion

8.1 Whilst there would be no financial savings as the budget would be transferred in its entirety and EBC will have to underwrite some shortfall within the income targets, there would be clear benefits of Wave operating the Eastbourne sites. Wave would be well placed to deliver the aspirations of the Active Eastbourne Strategy, and they have a track record of receiving funding and growing the GP Referral scheme.

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Report to:	**Cabinet**
Date:	**6 February 2019**
Title:	**Local Development Scheme 2019-2022**
Report of:	**Ian Fitzpatrick, Director of Regeneration and Planning**
Cabinet member:	**Cllr Jonathan Dow, Cabinet Member for Place Services**
Ward(s):	**All**
Purpose of report:	**To seek Cabinet endorsement of the Local Development Scheme 2019-2022 in order to allow formal adoption at Full Council on 20 February 2019.**
Decision type:	**Key**
Officer recommendation(s):	**(1) That Cabinet recommends to Full Council that the Eastbourne Local Development Scheme 2019-2022 as set out in Appendix 1 be adopted at the Full Council meeting on 20 February 2019.** **(2) That delegated authority is given to the Director of Regeneration and Planning in consultation with the Cabinet Member for Place Services to make minor and technical updates to timetables within the Local Development Scheme where necessary.**
Reasons for recommendations:	**(1) The Local Authorities (Functions and Responsibilities) (England) Regulations 2000 and the Council's constitution identifies that the adoption of the Local Development Scheme is a function of Full Council.** **(2) To ensure that the Local Development Scheme can be kept up to date without needing to bring minor amendments back to Full Council.**
Contact Officer(s):	**Name: Matthew Hitchen** **Post title: Senior Planning Policy Officer** **E-mail: matthew.hitchen@lewes-eastbourne.gov.uk** **Telephone number: 01323 415253**

1.0 Introduction

1.1 The Local Development Scheme (LDS) is the Council's timetable for the production of planning documents. It covers a three year period from 2019-2022 and outlines the planning documents to be produced with the key dates and milestones.

1.2 Local Planning Authorities are required to produce a LDS under Section 15 of the Planning and Compulsory Purchase Act 2004 (as amended by the Localism Act 2011). The LDS must be made publicly available and kept up-to-date.

1.3 The LDS must specify (among other matters) the documents which, when prepared, will comprise the Local Plan for the area. It can also include other planning policy documents such as Supplementary Planning Documents (SPDs) that are due to be produced.

1.4 The current LDS was approved in February 2017. Progress against the LDS is monitored on an annual basis through the Authority Monitoring Report (AMR). The AMR has recognised that the LDS needs to be amended to reflect changes in circumstances relating to Local Plan production.

1.5 The adoption of the LDS is a function of Full Council, and it is requested that Cabinet endorse the LDS for adoption at Full Council on 20 February 2019.

2.0 Background

2.1 The Government has set out a clear expectation that all local planning authorities should have a local plan in place, and that it should be kept up-to-date to ensure policies remain relevant.

2.2 The National Planning Policy Framework (NPPF) requires that local planning authorities undertake a review of their local plans at least once every 5 years from adoption to ensure that policies remain relevant and effectively address the needs of the local community.

2.3 The NPPF is clear that housing policies should not be considered up-to-date if the local planning authority cannot demonstrate a five-year supply of deliverable housing sites. Furthermore, guidance sets out clearly that a local plan is likely to require updating in whole or in part at least every five years.

2.4 The Core Strategy was adopted in 2013. The status of the Core Strategy and progress against the LDS is monitored on an annual basis through the Authority Monitoring Report (AMR).

2.5 A review of the Core Strategy due to its five year anniversary has determined that the Core Strategy cannot be considered to be up to date. There are a number of reasons for this:

- Housing delivery over the plan period has been lower than the amount required by the Core Strategy;
- Housing need has increased significantly since 2013;
- A five year housing land supply cannot be demonstrated; and
- The Core Strategy is more than five years old.

2.6 In addition, the current development management policies date back to the Eastbourne Borough Plan 2003 and need to be reviewed to take into account the changing needs and dynamics of the Borough, as well as to be consistent with recent revisions to national policy and reflect any new strategies for the town contained within the local plan that replaces the Core Strategy.

2.7 The need to prepare a new Eastbourne Local Plan to replace the Core Strategy is not a newly identified need as the current LDS that was adopted in 2017 identifies that a new Local Plan should be produced.

3.0 Progress against current LDS

3.1 The existing LDS was adopted in February 2017, and set out a timetable for the preparation of a new Local Plan, as well as timetables for a new CIL Charging Schedule, Statement of Community Involvement, Tourist Accommodation Retention SPD and Affordable Housing SPD.

3.2 A new Statement of Community Involvement was adopted in July 2017 (and subsequently updated to reflect changes in national legislation). The Tourist Accommodation SPD was adopted in February 2017 and the Affordable Housing SPD was adopted in November 2017.

3.3 The timetable for the preparation of the new Local Plan in the existing LDS has been delayed due to significant changes in national planning policy that were announced in spring 2017 and introduced in July 2018. In October 2017, it was considered appropriate by Local Plan Steering Group that the Local Plan production be deferred to ensure that it was only taken forward once the changes were fully understood.

4.0 Future Work Programme

4.1 The new LDS identifies the preparation of a new Local Plan, with a new CIL Charging Schedule to be produced alongside the Local Plan.

4.2 Eastbourne Local Plan

4.2.1 The NPPF requires that local planning authorities (individually or in conjunction with other local planning authorities) prepare a plan that sets out the strategic policies for their area, with non-strategic policies being included in either the same plan or a separate plan.

4.2.2 The new Eastbourne Local Plan will cover the whole of the Borough outside of the South Downs National Park. It will contain both strategic policies that set out an overall strategy for the pattern, scale and quality of development, and non-strategic policies that will contain more detail for the determination of planning applications.

4.2.3 The new Eastbourne Local Plan will cover the period between 2018 and 2038, and is required to will look ahead over a minimum 15 year period from adoption, which is anticipated for late 2021.

4.2.4 The timetable for the preparation of the new Local Plan in the updated LDS is as follows:

- Issues and Options Consultation: November-December 2019
- Proposed Submission: November-December 2020
- Submission: February 2021
- Examination: May-June 2021
- Adoption: November 2021

4.2.5 It is anticipated that authority to publish an Issues and Options Report for consultation will be sought from Cabinet in October 2019, which will allow sufficient time post local elections for engagement with Members prior to the consultation.

4.2.6 This will also allow time to complete the remaining evidence studies required to inform the Issues and Options consultation, including the review of the SHELAA and a new transport study.

4.2.7 Additional evidence studies will be required following the Issues and Options consultation in order to ensure that a Proposed Submission version of the Local Plan is prepared for publication in Autumn 2020.

4.3 CIL Charging Schedule

4.3.1 The Community Infrastructure Levy (CIL) is a tool for local authorities to help deliver infrastructure to support the development of the area by putting a charge on new development. The charges should be set out in a local authority's Charging Schedule. The current Eastbourne CIL Charging Schedule was

adopted in 2015.

4.3.2 The LDS proposes that the CIL Charging Schedule be reviewed alongside the preparation of the new Local Plan, with both being adopted at the same time. This is to ensure that any new CIL rates do not threaten the ability to develop viably the sites and scale of development identified in the Local Plan, in accordance with national guidance.

4.3.3 The timetable for the preparation of the new CIL Charging Schedule in the updated LDS is as follows:

- Consultation on Preliminary Draft: June-July 2020
- Publication of Draft Charging Schedule: November-December 2020
- Submission: February 2021
- Examination: May-June 2021
- Adoption: November 2021

5.0 Consultation

5.1 The Local Plan Steering Group was consulted on the preparation of the LDS. The Local Plan Steering Group oversees the preparation and finalisation of Local Plan documents and SPDs before approval by the Cabinet, and Full Council where relevant.

6.0 Financial appraisal

6.1 The work programme identified in the LDS will be through the a budget of £231,950 (E32320), which will be used to cover costs of specialist evidence study commissions, consultation and examination that will be required for the preparation of the Local Plan and CIL Charging Schedule.

7.0 Legal implications

7.1 Section 15(1) of the Planning and Compulsory Purchase Act 2004 (as amended by the Localism Act 2011) requires local planning authorities to prepare and maintain a scheme to be known as their local development scheme. It is important for the Council to comply with S.15 (8) Planning and Compulsory Purchase Act 2004 which provides that a local planning authority must revise their local development scheme at such time as they consider appropriate.

7.2 Subsection (9) sets out that the same statutory provisions apply to the revision of a scheme as they apply to the preparation of the scheme. Upon the revision of a scheme, the local planning authority must make the following available to the public –

a) The up-to-date text of the scheme
b) A copy of any amendments made to the scheme
c) Up-to-date information showing the state of the authority's compliance (or non-compliance) with the timetable

7.3 Under the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 and the Council's constitution, the adoption of the LDS is a function of Full Council. However, it is a proper function of Cabinet to consider the LDS and make a recommendation to Full Council for its adoption with or without amendment. *Lawyer consulted 3 January 2019 Legal : 007930-EBC-JCS*

8.0 Risk management implications

8.1 Not preparing the Local Plan in accordance with an up to date LDS would risk the Local Plan not being considered legally compliant, and it would therefore fail at examination and could not be adopted.

8.2 In terms of risk management in the preparation of the new Local Plan and CIL Charging Schedule, the LDS identifies governance support procedures and resource implications. It also identifies risks associated with delivery of the Local Plan and mitigation measures that could be put in place to avoid adverse impact on the delivery of the LDS.

9.0 Equality analysis

9.1 It is not considered that an Equalities and Fairness Analysis is required for the Local Development Scheme because the timetable for the preparation of a new Local Plan will not impact on protected groups. A 'No Relevance' report is provided as a background paper to this report.

9.2 The new Local Plan itself will need to undergo an equalities and fairness analysis, and this will be undertaken during the preparation of the plan.

10.0 Conclusion

10.1 Eastbourne Borough Council has a legal obligation to prepare a Local Development Scheme that identifies the future preparation of Local Plans, and to keep this up to date.

10.2 The current LDS (2017) no longer reflects the timetable for the preparation of the new Eastbourne Local Plan. A new LDS covering the period 2019-2022 is required in order to set out an updated timetable.

10.3 The adoption of the LDS is a function of Full Council, but should first be endorsed by Cabinet. It is recommended that Cabinet endorse the Local Development Scheme 2019-2022 and recommend formal adoption at Full Council on 20 February 2019.

Appendices

- Appendix 1 – Eastbourne Local Development Scheme 2019-2022

Background papers

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

- Eastbourne Authority Monitoring Report 2017/2018 - https://www.lewes-eastbourne.gov.uk/planning-policy/authority-monitoring-report-amr/
- Eastbourne Local Development Scheme 2019-2022 Equalities and Fairness Analysis 'No Relevance' Report

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Appendix 1

Eastbourne LOCAL DEVELOPMENT SCHEME 2019 - 2022





February 2019

EASTBOURNE
Borough Council
www.eastbourne.gov.uk

Contents

Contents

1.0 Introduction

1.1 The Planning and Compulsory Purchase Act 2004 requires Local Planning Authorities to prepare and maintain a Local Development Scheme (LDS). A Local Development Scheme sets out the work programme for the preparation of documents that will form the Local Plan over a rolling three year time period.

1.2 The Local Plan contains the policies which all planning applications are considered against, unless a material consideration indicates otherwise.

1.3 Legislation requires that the Local Development Scheme specifies the Local Plan documents that are to be produced; the subject matter and geographical area to which each document relates; and the timetable for the preparation and revision of these documents. It must be made publicly available and kept up-to-date as it is important that local communities and interested parties can keep track of progress.

1.4 Although the Planning and Compulsory Purchase Act originally required Local Planning Authorities to submit their Local Development Scheme to the Secretary of State, the Localism Act 2011 removed this requirement and allows Local Planning Authorities to adopt their own Local Development Schemes without approval from the Secretary of State.

1.5 This Local Development Scheme covers the period 2019-2022, and sets out the timetable for the production of the Eastbourne Local Plan. Progress will be monitored against the targets and milestones set out in this Local Development Scheme each year through the Local Monitoring Report, which will be published annually each December.

2.0 Background

2.1 Planning law requires that applications for planning permission must be determined in accordance with the Local Plan unless material considerations indicate otherwise[1].

2.2 The National Planning Policy Framework (NPPF), which was published in 2018, requires local planning authorities to prepare succinct and up-to-date plans that provide a positive vision for the future of each area; a framework for addressing housing needs and other economic, social and environmental priorities; and a platform for local people to shape their surroundings (*NPPF, para 15*).

2.3 The NPPF sets out how Local Plans should be shaped to accord with the principles of sustainable development, and all new Local Plans must be consistent with the NPPF in order to be sound. At the heart of the NPPF is a presumption in favour of sustainable development.

2.4 Local Plans must be underpinned by relevant and up-to-date evidence, which should be adequate and proportionate, focused tightly on supporting and justifying the policies concerned, and take into account relevant market signals (*NPPF, para 31*). In addition, Local Plans are subject to the European Strategic Environment Assessment Directive and should incorporate a sustainability appraisal to ensure that they accord with the principles of sustainable development.

2.5 The NPPF requires that a local planning authority has a plan that includes strategic polices to address the priorities for the development and use of land in its area.

2.6 Policies to address non-strategic matters can be included within the same plan that contains the strategic policies, or they can be contained within a separate plan. They may also be contained within a neighbourhood plan that is produced by the local community.

2.7 Supplementary Planning Documents (SPDs) can be produced to provide additional detail on a policy within a Local Plan, and are a material consideration in the determination of a planning application. The NPPF requires that they should be used where they can help applicants make

[1] Section 38(6) of the Planning and Compulsory Purchase Act 2004 and Section 70(2) of the Town and Country Planning Act 1990

successful applications or aid infrastructure delivery, and should not be used to add unnecessarily to the financial burdens on development.

2.8 The Town & Country Planning (Local Planning) (England) Regulations 2012 (also known as '*the Local Plan Regulations*') sets out the stages in the preparation of Local Plans, which includes independent examination by a person appointed by the Secretary of State. The process for SPDs is similar but does not require the document to be subject to independent examination. The only exception to this is a Community Infrastructure Levy Charging Schedule, which has its own set of planning regulations, outlining how it is prepared and examined.

3.0 Purpose of Local Development Scheme

3.1 Under section 15 of the Planning and Compulsory Purchase Act 2004 (as amended by the Planning Act 2008, the Localism Act 2011 and the Housing and Planning Act 2016), Local Planning Authorities must produce a Local Development Scheme (LDS).

3.2 The LDS is a 3-year project plan setting out the timetable for the preparation of the Local Plan and any other DPDs that are proposed. It provides a starting point for the local community, businesses, other stakeholders to find out what planning documents the Council is intending to prepare and to see when they will be able to view and make comments on the contents of new planning policies and proposals. The LDS is available on the Council's website: https://www.lewes-eastbourne.gov.uk/planning-policy/local-development-scheme/

3.3 Community Involvement throughout the preparation of the Local Plan is very important in order to ensure local views are taken into account. The Council is committed to the close involvement of stakeholders and the wider local community and this approach is set out in the Council's Statement of Community Involvement (SCI). The SCI is available on the Council's website: https://www.lewes-eastbourne.gov.uk/planning-policy/statement-of-community-involvement/

3.4 Section 15 (9A) of the Planning and Compulsory Purchase Act (as amended by the Localism Act 2011 (c. 20), ss. 111(7), 240(1)(h) (with s. 144)) requires that a copy of any amendments made to the scheme be made available to the public. The amendments between the previous version of the LDS and this version are summarised in Appendix 4: Amendments to the LDS.

4.0 Planning Context in Eastbourne

Current Local Plan Position

4.1 The Eastbourne Core Strategy Local Plan 2006-2027 ("the Core Strategy") was adopted in February 2018.

4.2 Amendments to the Town and Country Planning (Local Planning) (England) Regulations in December 2017 require local planning authorities to undertake a review of a local plan every five years starting from the date of adoption.

4.3 In completing this review, the local planning authority must decide either:

- that their policies do not need updating and publish their reasons for this decision; and/ or
- that one or more policies do need updating, and update their Local Development Scheme to set out the timetable for this revision.

4.4 The five year anniversary of the Core Strategy was on 20th February 2018.

4.5 The Authority Monitoring Report (AMR) 2017/2018 identifies that Eastbourne had delivered a total of 2,702 homes over the plan period out of a total of 5,022 homes. However, delivery at this stage in the plan period should have been 2,880 homes. The recent years have seen housing delivery under the Core Strategy target, and over the three years from 2015-2018, housing delivery was 77% of that required.

4.6 The NPPF (para 33) identifies that strategic policies will need updating at least once every five years if local housing need has changed significantly. Eastbourne's Local Housing Need (calculated by the standard method introduced through the NPPF in 2018) is 640 homes per year. The Core Strategy was based on a housing need to 400 homes per year. Therefore housing need has changed considerably since the adoption of the Core Strategy.

4.7 The AMR 2017/2018 also identifies that at 1st October 2018, Eastbourne had a 1.56 year supply of housing land. Because the Core Strategy is more than five years old, the five year housing land supply is measured against the Local Housing Need calculated via the Government's standard method. The lack of a five year housing land supply means that in accordance with the NPPF, the Core Strategy policies relating to housing delivery cannot be considered to be up to date.

4.8 Therefore, it is determined that the Core Strategy requires updating due to the under delivery of housing against the housing requirement set out in the plan, an increase in the housing need requirement calculated through the Local Housing Need standard method, and the lack of a five year housing land supply.

4.9 Therefore there is a need to prepare a new Eastbourne Local Plan to replaces strategic policies in the Core Strategy. This LDS sets out the timetable for the preparation of a new Eastbourne Local Plan.

Joint Transformation Programme

4.10 Eastbourne Borough and Lewes District Councils have embarked on an exciting and ambitious business transformation programme to modernise services and generate significant savings for both Councils. The programme will see the introduction of a new business model with joint teams delivering shared services that deliver great outcomes for customers, and is known as the Joint Transformation Programme.

4.11 The purpose of the Joint Transformation Programme is the formation of two strong Councils through the full integration of management, services and ICT to:

a) **Protect Services** - delivered to local residents while at the same time reducing costs for both Councils to together save £2.8m annually

b) **Greater strategic presence** - create two stronger organisations which can operate more strategically within the region while still retaining the sovereignty of each Council

c) **High quality, modern services** - meet communities and individual customers' expectations to receive high quality, modern services focused on local needs and making best use of modern technology

d) **Resilient services** - building resilience by combining skills and infrastructure across both Councils.

5.0 Adopted Local Plan and Other Planning Documents

Local Plan

5.1 The Eastbourne Local Plan currently consists of:

- Saved Policies from the Eastbourne Borough Plan 2001-2011 (adopted 2003)
- The Eastbourne Core Strategy Local Plan (adopted 2013)
- The Eastbourne Town Centre Local Plan (adopted 2013)
- The Eastbourne Employment Land Local Plan (adopted 2016)

Saved Policies from the Eastbourne Borough Plan

5.2 The Eastbourne Borough Plan 2001-2011 was adopted in 2003. Selected policies from the Borough Plan were saved indefinitely in 2007.

5.3 Some Borough Plan policies were superseded by the adoption of the Core Strategy and Town Centre Local Plan in 2013 and the Employment Land Local Plan in 2016, and have therefore been deleted.

5.4 The saved Borough Plan policies are mainly those related to Development Management issues that are used on a day-to-day basis in determining planning applications and guiding development.

Core Strategy

5.5 The Eastbourne Core Strategy Local Plan was adopted in February 2013 following Public Examination by a Planning Inspector in May 2012.

5.6 The Core Strategy is the main strategic planning document for Eastbourne, and all other DPDs were required to conform to the primary policies in this Plan. It sets out the Council's spatial vision for Eastbourne up to 2027, and the primary land use objectives which will deliver it. It includes broad locations for residential and economic development along with time frames and delivery mechanisms where appropriate. It also sets the direction for the Town Centre Local Plan and Supplementary Planning Documents.

5.7 However, it is now considered that the Core Strategy is out of date and should be reviewed through the preparation of a new Local Plan containing strategic policies.

Town Centre Local Plan

5.8 The Eastbourne Town Centre Local Plan (TCLP) was adopted in November 2013 following Public Examination by a Planning Inspector in May 2013.

5.9 The Town Centre is an area which will experience considerable change over the coming years. The purpose of the TCLP is to provide a shared vision and strategy of actions, for the whole of the town centre. This Plan covers a wide range of issues relating to general planning and design management of the centre. It provides the basis of an agreed strategy for the allocation of land and other policies to guide the further development of the Eastbourne Town Centre.

Employment Land Local Plan

5.10 As a result of the Inspector's consideration of Policy D2 at the Core Strategy examination, an early review of this policy was required.

5.11 The Employment Land Local Plan (ELLP) re-examined Policy D2: Economy and the identification of land for employment uses within the Core Strategy Local Plan. It reviewed the employment needs of Eastbourne to 2027 and considered how much land needed to be identified to provide for uses within Class B of the Use Classes Order. The ELLP allocated employment land to meet this need.

5.12 It was adopted in November 2016, and supersedes Core Strategy Policy D2.

Other Planning Documents

5.13 In addition, Eastbourne Borough Council has also produced the following documents:

- Eastbourne Policies Map (2016)
- Statement of Community Involvement (2019)
- Community Infrastructure Levy – Charging Schedule (2015)
- Sovereign Harbour Supplementary Planning Document (2013)
- Eastbourne Park Supplementary Planning Document (2013)
- Sustainable Building Design Supplementary Planning Document (2013)
- Local Employment & Training Supplementary Planning Document (2016)

- Tourist Accommodation Retention Supplementary Planning Document (2017)
- Affordable Housing Supplementary Planning Document (2017)
- Authority Monitoring Report

Policies Map

5.14 The Policies Map (previously referred to as the Proposals map) illustrates the policies and proposals of the Local Plan. The Policies Map excludes that part of the Borough which now forms part of the South Downs National Park, and falls under the jurisdiction of the South Downs National Park Authority (SDNPA). The SDNPA are responsible for planning policies and making development management decisions within the designated area of the National Park.

5.15 The current Policies Map was adopted alongside the Employment Land Local Plan in 2016. It will be revised and updated as new Local Plan policies are adopted.

Statement of Community Involvement

5.16 The Statement of Community Involvement (SCI) sets out how we will involve the community in the planning process, including Local Plans and planning applications (Development Management). It sets out the activities that the Council will undertake to reach stakeholders and the public during the various stages of preparation of Local Plan documents.

5.17 The SCI was adopted in 2017 to replace the original SCI that was produced in 2006 and updated in 2009. An update to the SCI was made in 2019 to ensure that changes in legislation through the Neighbourhood Planning Act 2017 that require the inclusion of a policy of advice and assistance in Neighbourhood Planning were met. The current SCI can be viewed on the Council's website: https://www.lewes-eastbourne.gov.uk/planning-policy/statement-of-community-involvement/.

Community Infrastructure Levy Charging Schedule

5.18 The Community Infrastructure Levy (CIL) Charging Schedule was adopted on 1st April 2015 and builds upon information contained in the Council's Infrastructure Delivery Plan (IDP), which identifies the infrastructure needed

to support future growth within the Borough. CIL takes the form of a levy per square metre of additional floorspace, based on £50 per square metre for residential uses (except apartments) and £80 per square metre for retail uses. The CIL rates were determined in order to ensure the overall viability of development in the area will not be compromised, and this was confirmed by an Examiner in January 2015.

Sovereign Harbour SPD

5.19 The Sovereign Harbour SPD provides guidance on the future of Sovereign Harbour in support of Policy C14 of the Core Strategy. It was adopted alongside the Core Strategy in February 2013.

5.20 The SPD sets out a strategy for the completion of the planned Sovereign Harbour development proposals, whilst meeting the community needs of local residents. It ensures that any future development on the remaining sites provides the social infrastructure necessary to ensure the neighbourhood becomes a sustainable centre. In order to maximise the community benefits this infrastructure will include a community centre, children's play areas and public open space. A maximum of 150 homes will be permitted.

5.21 The SPD provides guidance on the uses considered to be appropriate for each of the remaining development opportunity sites, including details of the size, scale and form of development and the specific community benefits to be delivered.

Eastbourne Park SPD

5.22 The Eastbourne Park SPD was adopted in February 2013 alongside the Core Strategy, and provides additional detail to Core Strategy Policy D11: Eastbourne Park. Eastbourne Park covers the area of Willingdon Levels and forms a green largely undeveloped heart of the Borough, and is mostly an area of grazing fields and small scale recreational activities.

5.23 The future of Eastbourne Park is a key priority for the Council and the SPD builds on policies in the Core Strategy to provide a sustainable development framework for future management and change in the area.

Sustainable Building Design SPD

5.24 The Sustainable Building Design SPD was adopted alongside the Core Strategy in February 2013. It provides guidance on Core Strategy Policy D1: Sustainable Development in relation to the provision and design of sustainable buildings and environmentally friendly developments, reflecting best practice.

Local Employment & Training SPD

5.25 The Local Employment and Training SPD was adopted alongside the Employment land Local Plan in November 2016. It provides additional detail on the implementation of the requirement for local labour agreements within Policy EL1.

5.26 It provides a framework and guidance as to how local labour agreements (including employment and training measures) will be secured and how to maximise local employment opportunities at both the construction and first operational phase of the development.

Affordable Housing SPD

5.27 The Affordable Housing SPD was adopted in November 2017, following public consultation between 26 May and 21 July 2017.

5.28 The Affordable Housing SPD provides detailed explanation in support of the implementation of Policy D5: Housing of the Eastbourne Core Strategy Local Plan 2006-2027 (adopted 2013). It contains advice relating to the standards required of the range of residential sites in order to deliver the affordable housing necessary to meet local needs.

Authority Monitoring Report

5.29 The Authority Monitoring Report (AMR) looks at how Local Plan policies and proposals are being implemented, and identifies any emerging issues that may need to be addressed. It has the following functions:

- to measure progress made in respect of the planning documents being prepared;
- to review the effectiveness of the adopted planning policies;

- to monitor the extent to which policies and targets in adopted documents are being achieved against a range of indicators.

5.30 All of the Council's Authority Monitoring Reports can be viewed at on the Council's website: https://www.lewes-eastbourne.gov.uk/planning-policy/authority-monitoring-report-amr/.

6.0 Work Programme for 2019-2022

Eastbourne Local Plan 2018-2038

6.1 There is a clear expectation that local planning authorities should have a Local Plan in place, and that it should be kept up-to-date to ensure policies remain relevant.

6.2 An assessment of the Core Strategy has concluded that it can no longer be considered to be up to date and therefore a new Local Plan for Eastbourne needs to be produced.

6.3 The NPPF requires that local planning authorities (individually or in conjunction with other local planning authorities) prepare a plan that sets out the strategic policies for their area, with non-strategic policies being included in either the same plan or a separate plan.

6.4 The new Eastbourne Local Plan will contain both strategic and non-strategic policies.

6.5 The strategic policies within the Eastbourne Local Plan will set out an overall strategy for the pattern, scale and quality of development and make provision for: housing, employment, retail, leisure and other commercial development; infrastructure including transport, water, flood risk and coastal management; community facilities including health and education; and conservation and enhancement of the natural, built and historic environment.

6.6 In accordance with the NPPF (para 22), the Eastbourne Local Plan will look ahead over a minimum 15 year period from adoption to anticipate and respond to long-term requirements and opportunities, such as those arising from major improvements in infrastructure.

6.7 The Eastbourne Local Plan will cover the period between 2018 to 2038, which reflects the introduction of the new method for calculating Local Housing Need in 2018, and allows for the plan to look ahead for a minimum 15 year period from adoption.

6.8 The Eastbourne Local Plan will also contain non-strategic policies that set out more detailed policies. These may include site allocations, the provision of infrastructure and community facilities, establishing design principles, conserving and enhancing the natural and historic environment and setting out other development management policies.

6.9 Where neighbourhood plans come forward, these will replace the non-strategic policies in specific areas. However, Neighbourhood plans will need to be in general conformity with the strategic policies contained in the new Local Plan.

6.10 The preparation of the Local Plan should be informed by proportionate evidence that supports and justifies policies. Plans should also set out the contributions expected from development, such as affordable housing contributions and infrastructure provision, although such policies should not undermine the deliverability of the plan.

6.11 Local plans should be informed throughout their preparation by a Sustainability Appraisal (SA) that incorporates Strategic Environmental Assessment (SEA. This should demonstrate how the plan has addressed relevant economic, social and environmental objectives.

6.12 A profile for the Local Plan is provided in Appendix 1: Local Plan Profile.

6.13 The Local Plan Regulations 2012 set out the stages in the preparation of a Local Plan.

6.14 The first stage in the production of the Local Plan is the *Preparation of a Local Plan (Regulation 18)*, which includes evidence gathering and inviting the local community and other stakeholders to make representations to the local planning authority about what a local plan with that subject ought to contain. A public consultation is timetabled to take place for an 8 week period in accordance with the adopted SCI in **November and December 2019**.

6.15 Following this public consultation, any representations made on the Local Plan will be taken into account, and a version of the Local Plan (known as the Proposed Submission version) will be made available under *Publication of a Local Plan (Regulation 19)*. As this version of the Local Plan is the one intended to be submitted to the Secretary of State for public examination, it will require Full Council approval, and will be published in **November 2020**.

6.16 *Representations relating to a Local Plan (Regulation 20)* will be invited in **November and December 2020** before the *Submission of documents and information to the Secretary of State (Regulation 22)* in **February 2021**.

6.17 The Secretary of State will appoint an Inspector to carry out an Independent examination of the Local Plan. The Inspector will consider the representations made *(Regulation 23)* and conduct the *Examination (Regulation 24)* at least

six weeks after first inviting persons who made representations to be heard at any hearings. This is anticipated to take place in **early summer 2021**.

6.18 *Publication of the recommendations of the appointed person (Regulation 25)* would be expected in **late summer 2021**, with *Adoption of a local plan (Regulation 26)* at Full Council taking place in **November 2021**.

6.19 A timetable for the preparation of the Local Plan is set out in Appendix 2: LDS Timetable.

Community Infrastructure Levy Charging Schedule

6.20 The Community Infrastructure Levy (CIL) is a tool for local authorities to help deliver infrastructure to support the development of the area.

6.21 Eastbourne Borough Council is a charging authority, which gives it the ability to set CIL rates in the Borough through the Charging Schedule. Eastbourne Borough Council is also a collecting authority, which means that it has responsibility for collecting the CIL rates from liable development.

6.22 In setting a CIL rate through the Charging Schedule, charging authorities must ensure that the rate does not threaten the ability to develop viably the sites and scale of development identified in the Local Plan.

6.23 The current Community Infrastructure Levy (CIL) Charging Schedule was adopted in 2015.

6.24 A review of the CIL Charging Schedule will take place alongside the preparation of the new Local Plan. This is to ensure that the infrastructure planning evidence that underpins the development strategy in the Local Plan is used to set an appropriate CIL rate in the Charging Schedule that strikes an appropriate balance between the desirability of funding infrastructure and the potential impact upon the economic viability of development across the area.

6.25 By preparing the Local Plan and the CIL Charging Schedule together, it will be possible to ensure that the sites and scale of development identified in the Local Plan is not subject to such a scale of obligations and policy burdens that threaten the ability of sites to be developed viably.

6.26 The Community Infrastructure Levy Regulations 2010 set out the stages in the preparation of a CIL Charging Schedule.

6.27 The review of the CIL Charging Schedule is expected to commence following the conclusion of the Local Plan consultation in **January 2020**, with *Consultation in a preliminary draft charging schedule (Regulation 15)* taking place in **June and July 2020**.

6.28 Following this, the *Publication of a draft charging schedule (Regulation 16)* will take place alongside the publication of the Proposed Submission version of the Local Plan in **November 2020**, with *Representations relating to a draft charging schedule (Regulation 17)* being invited in **November and December 2020**.

6.29 From this point, the timetable for the CIL Charging Schedule should align with the timetable for the Local Plan.

6.30 *Submission of documents and information to the examiner (Regulation 19)* will take place in **February 2021**, with *Consideration of representations by examiner (Regulation 20)* in **early summer 2021**.

6.31 *Publication of examiner's recommendations (Regulation 23)* would be expected in **late summer 2021**, with *Approval and publication of a charging schedule (Regulation 25)* by Full Council in **November 2021**.

6.32 A timetable for the preparation of the CIL Charging Schedule is set out in Appendix 2: LDS Timetable.

7.0 Resources and Programme Management

Governance

7.1 The implementation of this LDS will require effective governance support procedures.

7.2 The preparation of Local Plans and SPDs is guided by the Local Plan Steering Group. This consists of six Councillors, including the Leader of the Council, the Portfolio Holder for Place Services and Chair of Planning Committee, as well as a Member of the Opposition.

7.3 Local Plans are to be reported to Cabinet for approval to publish and consult, following a consultation with the Planning Committee. Full Council approval is required to submit the Local Plan for examination, and to formally adopt a Local Plan or SPD, in accordance with the Council's constitution.

7.4 The timeframe necessary to comply with the Council's in-house processes and procedures have been included within timeline given for preparing the Local Plan. The timescale for preparing the Local Plan also assumes that resources will be available to handle the workload.

Resources

7.5 The Council's Planning Policy team will take the lead on preparing the Local Plan, as well as the SA/SEA and the preparation of evidence base studies to support the Local Plan. The Planning Policy team will be supported by other Council officers where necessary.

7.6 Overall management responsibility for the Local Plan will be with the Planning Policy Lead, who will be responsible for appropriate allocation of staff and negotiating for resources and funding where necessary.

7.7 The Planning Policy team's top priority is the preparation of the Local Plan. Additional SPDs will only be produced where it is considered necessary to address a significant issue that has arisen.

7.8 External specialist consultants may also be used to supplement existing resources where studies are of a specialist nature and/or where there are

benefits in terms of timing to outsource the work, or in providing a critical friend to the Council's teams.

Risk Assessment

7.9 It is important that the risks associated with delivery of the Local Plan are acknowledged and mitigating measures put in place to avoid adverse impact on the delivery of the LDS.

7.10 The main risks to delivery together with proposed mitigation measures are identified in Table 1.

Table 1 - Risk Assessment

Issue	Risk / Implications	Mitigation
Staff Resources	EBC have previously had issues recruiting suitably qualified staff. If positions become vacant and cannot be quickly filled by qualified staff, there may be a need to review the LDS.	Robust management of staff resources and cross-service and partnership working. Consideration of additional external resources where appropriate
Evidence	Delay to Plan progress if the production of evidence studies is delayed. Additional unforeseen evidence base requirements and the need for specialist information and expertise which is unavailable in-house.	Early and thorough assessment of available evidence and need. Prioritisation of further work. Management of consultants, including setting of appropriate deadlines. Timely provision of information/comments for consultants. Close monitoring of adherence to project timescales.
Political Decision-making	Potential changes in political support for the Local Plan, due to events such as local and national elections. Politically contentious issues may	Ongoing engagement and progress updates given to the cross party Local Plan Steering Group Provide opportunities for

Issue	Risk / Implications	Mitigation
	require unforeseen procedures to resolve.	Councillors to discuss emerging policies through Member Training sessions.
Legal compliance (including Duty to Co-operate) and Tests of Soundness	Risk that Local Plan could be found unsound or fail tests relating to legal compliance & Duty to Co-operate. Being found unsound could cause a potential resultant major delay to the progress of the Local Plan. There may be risks to the timetable in securing the appropriate level of 'co-operation' with neighbouring authorities at officer and member level.	Continuous soundness self-assessment. Consultation with the Planning Inspectorate and Planning Advisory Service. Make use of the East Sussex Strategic Planning Members Group to discuss duty to co-operate issues.
Changes to National Planning Policy or procedural requirements	Changes to national policy and planning guidance could result in abortive or inappropriate progress. Changes to procedural requirements and new legislation may alter the stages in plan preparation.	Closely monitor new policy and practice guidance and anticipate changes to national policy. Take into account any changes at the next appropriate stage in preparation. Consistent and ongoing legal advice from within the Council.
Financial Resources	Undertaking evidence gathering projects, public consultation events and the examination of the new Local Plan require significant financial resources. Any additional unforeseen costs would place a further burden on the budget.	Close monitoring of the new Local Plan preparation budget and likely future commitments.
Consultation	Unexpectedly large numbers of representations may require extra work to respond to issues raised, or could require a longer examination in public and a delay in the Inspector reporting.	Identify expected level of response during consultation period and prioritise response to representations post consultation period.

Issue	Risk / Implications	Mitigation
Timescales	The scale and uncertainty of the content of a single Local Plan presents potential risks to its deliverability.	Robust scoping. Keep Local Development Scheme under constant review and amend as necessary. Ensure sound project planning.

8.0 Monitoring and Review

8.1 The Local Plan Steering Group will oversee the preparation and finalisation of the Local Plan before approval by the Council's Cabinet and Planning Committee. Local Plan Steering Group meets on a once every two months basis (or more regularly if required) and consists of six Councillors, including the Leader of the Council, the Portfolio Holder for Place Services and Chair of Planning Committee, as well as a Member of the Opposition.

8.2 Overall responsibility for the ongoing management of the LDS programme rests with the Planning Policy Lead. Input on certain documents and evidence studies will be required from other internal Council officers and external specialists as appropriate.

8.3 The Local Development Scheme will be monitored on an annual basis through the Authority Monitoring Report.

Appendices

Appendix 1: Local Plan Profile

EASTBOURNE LOCAL PLAN	
Role and Subject:	The Eastbourne Local Plan will contain strategic policies that set out an overall strategy for the pattern, scale and quality of development and make provision for residential, commercial, community, infrastructure development. It will also contain non-strategic policies that provide more detail for development management purposes. Once adopted, it will supersede all other planning policies for Eastbourne.
Geographical coverage:	The whole of Eastbourne Borough, excluding the part of the Borough that is within the South Downs National Park.
Status:	Development Plan Document (DPD) which will form part of the statutory Development Plan for Eastbourne.
Conformity:	Must be consistent with the National Planning Policy Framework. Regard will also be had to the National Planning Practice Guidance and other relevant strategies.

Timetable & Key Milestones	
Public consultation on Preparation of a local plan (Reg. 18)	November-December 2019
Publication of a local plan (Reg. 19)	November 2020
Representations relating to a local plan (Reg. 20)	November-December 2020
Submission of documents and information to the Secretary of State (Reg. 22)	February 2021
Consideration of representations by appointed person (Reg. 23)	March-April 2021
Independent Examination (Reg. 24)	May-June 2021

Publication of the recommendations of the appointed person (Reg. 25)	September 2021
Adoption of a local plan (Reg. 26)	November 2021
Production Arrangements	
Organisational lead:	Planning Policy Team
Management Arrangements:	Local Plan Steering Group
Resources:	Planning Policy team, Specialist Advisors (Planning) and external consultants
Approach to consultation:	Set out in the Statement of Community Involvement. Consultation will be led by Eastbourne Borough Council.
Post Production	
Monitoring and review mechanisms:	The implementation of the objectives and policies of the Eastbourne Local Plan will be monitored in the Authority Monitoring Report

Appendix 2: LDS Timetable

Year	2019												2020												2021											
Month	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
Eastbourne Local Plan											P	P											PS	R		S	E	E	E	E	E	E	I		A	
CIL Charging Schedule													C					C	C				P	R		S			E	E			I		A	

Key

C — Commence preparation

Preparation Period

Town & Country Planning (Local Planning) (England) Regulations 2012

- P — Preparation of a local plan (Regulation 18)
- PS — Publication of a local plan (Regulation 19)
- R — Representations relating to a local plan (Regulation 20)
- S — Submission of documents and information to the Secretary of State (Regulation 22)
- E — Consideration of representations by appointed person (Regulation 23)
- E — Independent Examination (Regulation 24)
- I — Publication of the recommendations of the appointed person (Regulation 25)
- A — Adoption of a local plan (Regulation 26)

The Community Infrastructure Levy Regulations 2010

- C — Consultation in a preliminary draft charging schedule (Regulation 15)
- P — Publication of a draft charging schedule (Regulation 16)
- R — Representations relating to a draft charging schedule (Regulation 17)
- S — Submission of documents and information to the examiner (Regulation 19)
- E — Consideration of representations by examiner (Regulation 20)
- I — Publication of examiner's recommendations (Regulation 23)
- A — Approval and publication of a charging schedule (Regulation 25)

Appendix 3: Glossary

Term	Definition
Adoption	The final confirmation of a Development Plan / Local Plan or Supplementary Planning Document status by a Local Planning Authority.
Authority Monitoring Report (AMR)	Local Planning Authorities are required to prepare and publish an Authority Monitoring Report containing information on the implementation of the Local Development Scheme (LDS) and the extent to which the policies set out in the Local Plan documents are being achieved (previously known as Local Monitoring Report).
Community Infrastructure Levy (CIL)	The Community Infrastructure Levy is a charge which local authorities in England and Wales are empowered, but not required, to charge on types of new development in their area. The proceeds of the levy will be spent on local and sub-regional infrastructure to support the development of the area.
Community Strategy	A strategy developed by the local community, focusing on what is important to people who live, work and visit the town and to make positive changes.
Conservation Area	An area of special architectural or historic interest, the character or appearance of which is desirable to preserve or enhance.
Core Strategy	The main planning policy document for Eastbourne that sets out the long term strategic planning vision between 2006 and 2027.
Corporate Plan	Sets out the major place-shaping initiatives crucial to the future success of Eastbourne. Examples of these initiatives are the Town Centre Regeneration and the development of a Business Park at Sovereign Harbour.
Development Plan	The set of documents that provide the Local Planning Authority's policies and proposals for the development and use of land and buildings in the authority's area. This includes adopted Local Plans, any Neighbourhood Plans and the Waste & Minerals Local Plan.

Term	Definition
Development Plan Document	Statutory documents which are subject to specified consultation periods and are subject to independent examination. Also known as Local Plans.
Eastbourne Strategic Partnership (ESP)	A non-statutory body made up of a wide range of representatives from the public, private and voluntary sector. The ESP is responsible for producing, monitoring and reviewing the Eastbourne Community Strategy, reducing duplication in the provision of services and developing joint projects.
Evidence Base	The information and data gathered by local authorities to justify the "soundness" of the policy approach set out in the Local Plan, including physical, economic, and social characteristics of an area.
Examination / Examination in Public	The process by which a Planning Inspector may publicly examine a Local Plan for legal compliance and 'soundness' before issuing a binding report.
Infrastructure Delivery Plan (IDP)	Detailed assessment of the infrastructure required to deliver the spatial development strategy and how this will be delivered.
Inspectors Report	A report issued by a Planning Inspector regarding the planning issues debated at an Independent Examination of a Development Plan or a Planning Inquiry.
Joint Transformation Programme (JTP)	A business transformation programme involving Eastbourne Borough and Lewes District Councils to modernise services and generate significant savings for both Councils. The programme will see the introduction of a new business model with joint teams delivering shared services that deliver great outcomes for customers.
Local Development Document (LDD)	A generic term for documents prepared by Local Planning Authorities for the use and development of land or containing environmental, social and economic objectives relevant to the development and use of land which are intended to guide the determination of applications for planning permission.

Term	Definition
Local Development Scheme (LDS)	The LDS sets out the programme for the preparation of the Local Development Documents. All plan making authorities must maintain an up to date LDS.
Local Housing Need	The number of homes needed within a local authority area, calculated using the standard method introduced alongside the NPPF in July 2018.
Local Plan (LP)	The plan for the future development of the local area, drawn up by the Local Planning Authority in consultation with the community
Local Plan Regulations	See Town & Country Planning (Local Planning) (England) Regulations 2012
National Planning Policy Framework (NPPF)	The NPPF sets out the Government's planning policies and how these are expected to be applied. It was published in July 2018.
Planning and Compulsory Purchase Act 2004	The legislation that introduced a new development planning system, based on the preparation of Local Development Frameworks. The Act commenced 28th September 2004.
Policies Map	A map which shows the policies and proposals in the Development Plan on a map.
Soundness / Test of Soundness	In order to be sound, a Local Plan must be: a) Positively prepared – providing a strategy which seeks to meet the area's objectively assessed needs; and is informed by agreements with other authorities, so that unmet need from neighbouring areas is accommodated where it is practical to do so and is consistent with achieving sustainable development; b) Justified – an appropriate strategy, taking into account the reasonable alternatives, and based on proportionate evidence; c) Effective – deliverable over the plan period, and based on effective joint working on cross-boundary strategic matters that have been dealt with rather than deferred, as evidenced by the statement of common ground; and d) Consistent with national policy – enabling the delivery of sustainable development in accordance with the policies in the NPPF.

Term	Definition
South Downs National Park (SDNP)	England's newest National Park, covering the South Downs and Western Weald, situated in the counties of Hampshire, and West and East Sussex. Planning responsibility within this area falls to the South Downs National Park Authority.
Statement of Community Involvement (SCI)	Document explaining to stakeholders and the community how they can be involved in the preparation of Local Development Documents, and the steps that will be taken to facilitate their involvement.
Strategic Environmental Assessment (SEA)	The term used internationally to describe the environmental integration of policies, plans and programmes. The SEA Directive (2001/42/EC) requires a formal 'environmental assessment' of plans and programmes that are to be adopted by a public authority including those in spatial planning. This assessment is often combined with the Sustainability Appraisal.
Supplementary Planning Document (SPD)	These provide additional planning policy guidance to the policies and proposals in the Local Plan. They do not need to be subject to independent examination
Sustainability Appraisal (SA)	Assessment of the social, economic and environmental impacts of proposals in Local Development Documents.
Town & Country Planning (Local Planning) (England) Regulations 2012	Regulations (as amended) that govern the process for preparing Local Plans and Supplementary Planning Documents. Also known as 'Local Plan Regulations'.

Appendix 4: Amendments to the LDS

A summary of the main changes from the previous LDS is provided below:

The period that the LDS covers has changed from 2017-2020 to 2019-2022

Minor amendments have been made to **Section 2: Background** to reflect changes as a result of the introduction of a revised National Planning Policy Framework in July 2018.

Minor amendments have been made to **Section 4: Planning Context in Eastbourne** that summarises the five year review of the Core Strategy to set the context for the need to produce a new Local Plan.

Minor amendments have been made to **Section 5: Adopted Local Plan and Other Planning Documents** to reflect the change in status of the Development Plan Documents as a result of the five year review, plus the adoption of the Affordable Housing SPD.

Changes have been made to **Section 6: Work Programme for 2019-22**:

- Changes to the plan period for the Eastbourne Local Plan from 2015-2035 to 2018-2038, which reflects the introduction of the new method for calculating Local Housing Need in 2018 and allows for the plan to look ahead for a minimum 15 year period from adoption.
- Changes to reflect the new NPPF in terms of the requirement for strategic and non-strategic policies
- Change to the timetable for the preparation of the Eastbourne Local Plan:
    - Reg. 18 consultation: from October-November 2017 to November-December 2019
    - Proposed Submission (Reg. 19): from October-November 2018 to November-December 2020
    - Submission (Reg. 22): from January 2019 to February 2021
    - Examination (Reg. 24): from May-June 2019 to May-June 2021
    - Adoption (Reg. 26): from November 2019 to November 2021
- Change to the timetable for the preparation of the CIL Charging Schedule:
    - Preliminary Draft (Reg. 15): from January-February 2018 to June-July 2020

- Draft Charging Schedule (Reg. 16): from June-July 2018 to November-December 2020
- Submission (Reg. 19): from October 2018 to February 2021
- Examination (Reg. 20): from November-December 2018 to May-June 2021
- Adoption (Reg. 25): from April 2019 to November 2021

- Removal of Statement of Community Involvement, Tourist Accommodation Retention SPD and Affordable Housing SPD from the LDS due to these now being adopted.

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Report to:	**Cabinet**
Date:	**6 February 2019**
Title:	**Housing Delivery Programme**
Report of:	**Ian Fitzpatrick, Director of Regeneration & Planning**
Cabinet member:	**Councillor Alan Shuttleworth**
Ward(s):	**All**
Purpose of report:	**This report sets out:** **(1) An update on the Council's capital development within the Housing Revenue Account (HRA).** **(2) Proposals for the Council's housing investment partnership through Aspiration Homes LLP (AHLLP) and the Eastbourne Housing Investment Company Ltd (EHICL) to invest in commercial and affordable residential accommodation schemes to assist the Council meets its strategic housing agenda.**
Decision type:	**Key decision**
Officer recommendation(s):	**(1) To agree that the Council makes a loan facility available of up to £2.5m on market terms to AHLLP for the purpose of enabling the partnership to purchase residential accommodation for affordable purposes under a dedicated programme.** **(2) To approve as a Restricted Matter under the LLP Agreement, the making of a loan facility by Lewes District Council of up to £2.5m on market terms to AHLLP for the purpose of enabling the partnership to purchase residential accommodation for affordable purposes under a dedicated programme.** **(3) To authorise the Assistant Director for Legal and Democratic Services to ensure that a "Funding Agreement" pursuant to a "Deed of Entrustment" is entered into by AHLLP with the Council so that Right to Buy (RTB) receipts are appropriated in accordance with legislative requirements and the retention agreement with Government in relation to "social housing". To give delegated authority to the Director of Regeneration and Planning to determine the terms of such agreement(s).**

(4) To delegate authority to the Chief Finance Officer in consultation with the Lead Cabinet members for Housing and Finance to agree the whole scheme lending parameters for purchases for the programme outlined at recommendation (1).

(5) To delegate to the Chief Finance Officer in consultation with the Lead Cabinet members for Housing and Finance authority to approve any draw down by EHICL from the £20m loan facility approved in the 2017/2021 Capital Programme (to the extent not already committed to other projects) for investment in EHICL's property portfolio, the delivery of new mixed tenure homes and associated activities by EHICL and to delegate authority to the Chief Finance Officer in consultation with the Assistant Director - Legal & Democratic Services to determine the terms of any loan to be offered to EHICL provided always that the Chief Finance Officer is satisfied that:

a. There will be adequate security for the loan

b. There is a viable business case for the loan

c. Any such loan is on market terms

Reasons for recommendations:

(1) To effectively progress land and housing acquisition, investment and larger scale development within the HRA to meet the Council's wider strategic aims and take advantage of new borrowing flexibilities.

(2) To improve access into the private rented sector (PRS) by providing residential accommodation to assist the Council meet its wider strategic housing agenda and increase the variety, availability and accessibility of affordable housing and low cost home ownership.

(3) To generate additional income revenue streams to the Council through strategic property investment.

(4) For AHLLP to use RTB receipts to fund new affordable housing the necessary legal agreements need to be in place to allow this and these must be used in accordance with the terms of our RTB receipt retention agreement.

Contact Officer(s):

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Property Investment and Acquisitions Lead
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1 Introduction

1.1 The purpose of this report is to progress the Council's strategic land and housing agenda. In authorising the necessary budgets, appropriate funding and delegation(s) key projects can be progressed to effectively meet the needs of the Council in strategic acquisition and development, both within the Housing Revenue Account (HRA) and through the its asset holding vehicle(s) Aspiration Homes LLP (AHLLP) and the Eastbourne Housing Investment Company Ltd (EHICL).

1.2 Governments' change in legislative policy, and the subsequent removal of the 'borrowing cap' in the HRA, means the Council needs to ensure its development pipeline makes best use of this opportunity to the benefit of the existing programme and future schemes. Much success has been achieved through the development of housing through the Council's asset holding vehicles EHICL and AHLLP, which will continue as reflected in the recommendations in this report. The Council wish to now build upon that success utilising every opportunity within their power to achieve the strategic ambition delivering the maximum affordable housing for the town whilst enabling economic growth through commercial initiatives and programmes.

2 Capital development update (HRA)

2.1 The Council aims to increase housing delivery and maximise its existing property assets within the town to meet their full use and income generating potential. Utilising borrowing within the HRA will enable more affordable housing to be delivered and also fully utilise Right To Buy (RTB) receipts that the Council would otherwise have to hand back to central Government.

2.2 In order to effectively progress land and property purchases as well as larger scale developments within the HRA a dedicated acquisitions and development fund is required. This allows Officers to efficiently progress key sites in a competitive market. Before schemes are developed or purchased a full business case, including detailed financial analysis, will be presented to Senior Officers before proceeding. This will ensure that any decision(s) taken are subject to effective due diligence and governance.

3 Housing investment – EHICL & AHLLP

3.1 Cabinet previously approved the establishment of a joint housing investment partnership (JHIP) with Lewes District Council (LDC) to progress on affordable housing development.

3.2 In June 2017 Aspiration Homes LLP (AHLLP) was incorporated. Since that time a number of schemes are now progressing with the first to be constructed in AHLLP, Northbourne Road, currently on site.

3.3 Cabinet previously approved the following (remaining) loan facilities to the respective asset holding vehicles:

To deliver private market housing;

- EHICL: Larger commercial schemes - £20m
- EHICL: Residential street acquisitions - £10m

To deliver affordable homes of all tenures;

- AHLLP: Larger affordable schemes - £10m

3.4 The loan facility granted to AHLLP is allocated to larger affordable schemes. Although those schemes are crucial to the wider programme, it is a competitive market and AHLLP requires the ability to capitalise on the opportunities of the local property market through the acquisition of readily available street properties.

3.5 The purchase of suitable residential properties by AHLLP through a dedicated street acquisitions programme for affordable rent and low cost home ownership will help assist households to secure accommodation within the private rented sector (PRS) relative to need. It will also help reduce costs to the Council's housing team by providing throughput to suitable accommodation. The same programme through EHICL, delivering market rent properties, has been successful with around 30 properties now held in the portfolio.

3.6 Housing provided by AHLLP will assist the Council to meet its wider economic and regeneration aims by intervening in the affordable housing market. The properties will be well managed and kept in good condition.

3.7 The property market is however very competitive and, at times, fast paced. Without the flexibility to progress schemes using the approved loan facilities in place AHLLP are at risk of missing out on key opportunities.

3.8 To ensure purchases under a dedicated programme are consistent and in-line with the Council's wider strategic objectives the following core principles are proposed:

- Although the principle aim is to provide additional housing to address local need, the partnership should not make overall losses
- Not to purchase multiple properties within a single concentrated area to reduce any potential negative impact upon that area and its residents
- To maintain a 'social conscience' when considering acquisitions
- To wherever possible ensure the letting of properties acquired through AHLLP are within local housing allowance rates (LHA) and affordable rents up to 80% of the market, unless in the case of specialist accommodation which may attract a different rental model
- Ensure regular monitoring and review of the process is demonstrated to ensure it is working for real people and driving the project(s) forward

3.9 The following assumptions will be made for each financial appraisal when establishing viability:

- To model acquisitions with all capital costs assumed in Year 1
- Long term interest rate at 4.5%
- Management fee allowance of £250 per unit per annum
- Maintenance allowance of £450 per unit per annum
- Two week void and bad debt allowance at £300 per unit per annum
- Reserve fund allowance of £400 per unit per annum as standard. Subject to actual figures this may be changed for improved accuracy
- Service charge allowance (for long leasehold flats)

3.10 The assumptions will be flexible and regularly reviewed to appropriately adapt to the built environment, the property market and EBC as lender.

3.11 The table below demonstrates the appraisal model and general process::

AHLLP: Affordable rent investment 2 bedroom long-leasehold flat	
Purchase price	£140,000
Purchase costs and works (SDLT, legal fees, valuation etc.)	£7,000
30% funding from RTB receipts	-£44,100
Total purchase costs	£102,900
Interest on loan @ 4.5%	£4,630
Management / maintenance	£1,000
Voids and bad debts	£300
Reserve fund	£400
Total annual costs	£6,330
Total annual rent (80% MR)	-£7,200
Annual surplus	-£870

3.12 Using the above example AHLLP would make a surplus of £870 per annum on the purchase after the assumed costs, generate an increase in capital asset value and add to the increase in affordable housing.

3.13 With a loan facility of £2.5m (in accordance with the AHLLP 3 year business

plan), as well as the use of RTB receipts to fund 30% of the capital costs in the programme, it is anticipated that another 10-15 properties could be acquired and let at either affordable rents (up to 80% of the market) or sold as low cost home ownership (subject to compliance with RTB retention agreement).

3.13 The report also seeks to allow EHICL more effective access to the budget of £20m already agreed by Cabinet delegating authority to the Chief Finance Officer and Assistant Director for Legal & Democratic Services to sign off loans based on a set of principles set out in the recommendation. Much like acquiring land or properties in the HRA and AHLLP, EHICL are working in a highly competitive market and need the ability to complete sale transactions as efficiently as possible as part of it's success in obtaining the best value for the Council. Moreover EHICL's portfolio has grown and its business plan matured in its approach to asset management and long term investment to therefore ensure it remains a well functioning business.

4 Staffing and resource

4.1 There are no specific staff implications. The acquisition and future management of property will be within current resources. A fee is built into the financial modelling to meet the management costs.

5 Environmental, Community Safety, Human Rights, Youth, Anti-Poverty

5.1 The acquisition of properties will give the Council greater ability to deliver its wider role of community wellbeing and promote a supply of good quality well managed accommodation.

5.2 It will help address the low wage economy and the wider economy by encouraging investment in new businesses, homes and the environment.

5.3 It will also help to address areas of identified hardship, resolved as a result of the Council's considered and strategic intervention.

6 Financial appraisal

6.1 The Council can make long term loans to AHLLP enabling it to fund acquisitions and on-costs. A Funding Agreement with AHLLP is already in place setting out the core principles of any loan. It is recommended that the terms of any loan offered would be determined by the Chief Finance Officer in consultation with the Lead Member for Finance. A range of factors would be considered including the duration of the loan and market interest rates at the time of the loan advance. Any loan would be secured against the property assets of AHLLP.

6.2 Interest paid to the Council by the partnership would be credited to the General Fund. The Council will need to borrow to cover these loans and any such borrowing will be undertaken in line with the Council's Treasury Management Strategy. The cost of servicing this new General Fund borrowing would be less than the interest payments received from AHLLP, generating a net income stream for the Council.

6.3 Retained RTB receipts: under an agreement with the Government, the Council has retained a share of the receipts generated under RTB on condition that the amounts retained are used within a rolling three year period to part-fund the development and (currently) the acquisition of new affordable housing. Retained receipts used in this way must not exceed 30% of the capital costs. Any retained receipts not used within three years must be paid to the Government (with interest).

6.4 The agreement with the Government allows the Council to pass the retained receipts to another body for use in the development of affordable homes. Through this mechanism the Council could make a grant to AHLLP (a condition within the Government agreement precludes a grant payment to EHICL).

6.5 Robust financial appraisals in respect of the individual asset purchases, the management of ongoing expenditure and the continuous monitoring of the demand for housing need is essential to mitigate costs, voids and both capital / revenue losses.

7 Legal implications

7.1 Loans to EHICL and AHLLP

The Council could use the general power of competence in section 1 of the Localism Act 2011 for the proposals in this report. However the exercise of that power would be subject to the limitations and restrictions of the legislation set out below.

Under sections 24/25 Local Government Act 1988 the Council, with the Secretary of State's ("SOS") consent, can provide any person with financial assistance for the purposes of, or in connection with, the acquisition, construction, conversion, rehabilitation, improvement, maintenance or management (whether by that person or by another) of any property which is or is intended to be privately let as housing accommodation. Financial assistance specifically includes the provision of loans or grants. The General Consent C issued by the SOS under section 25 of the Local Government Act 1988 (Local Authority assistance for privately let housing) 2010 enables the Council to provide a loan or a grant to AHLLP or LHICL for these purposes.

7.2 Capital finance considerations

The Council has the power under section 1 of the Local Government Act 2003 (LGA 2003) to borrow for any purpose relevant to its functions under any enactment or for the purposes of the prudent management of its financial affairs.

The Council has the power under section 12 of the LGA 2003 to invest for any purpose relevant to its functions under any enactment or for the purposes of the prudent management of its financial affairs.

Under section 3 the SOS may make regulations governing the use of the borrowing power and section 15 of the LGA 2003 requires a local authority must

"have regard to" such guidance as the SOS may issue and to such other guidance as the SOS may by Regulations specify.

The SOS has made the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, S.I 2003/3146, as amended ("the Capital Finance Regulations") in relation to the exercise of the borrowing power. Paragraph 24 of the Capital Finance Regulations provides that a local authority "must have regard to" the document entitled "Treasury Management in the Public Service: Code of Practice and Cross-Sectoral Guidance Notes" published by the Chartered Institute of Public Finance and Accountancy ("CIPFA") as may be amended or reissued from time to time. CIPFA has duly issued Treasury Management Guidance.

The SOS has also issued statutory guidance on local government investments (3rd edition) effective from 1st April 2018. This is primarily about investments made under section 12 LGA 2003 but also relates to borrowing for investments. The SOS view is that an investment includes covers loans made by a local authority to one of its wholly-owned companies or entities.

7.3 State Aid

The provision of loan funding or other forms of assistance to AHLLP and EHICL will be State Aid compliant if in accordance with general market terms known as the Market Economy Operator Principle ("MEOP") i.e. that a private investor of a comparable size operating in normal conditions of a market economy could have been prompted to make the investment on the terms that have been agreed.

It is possible for the council to provide grants, loan funding or other assistance which is not on market terms provided that it complies with the European Commissions Service of General Economic Interest Decision of 20 December 2011 ("SGEI"). SGEI enables state subsidy in relation to "social housing" (which includes affordable housing in England) provided the requirements set out in that decision are met.

7.4 Use of RTB Receipts

RTB receipts will be passed to AHLLP under the SGEI Decision. It is the intention to provide AHLLP funding using SGEI. An overarching Deed of Entrustment between AHLLP and the Council will be used to govern any assistance the Council may provide to AHLLP for its provision of affordable housing and ensure compliance with SGEI where such assistance is not under the MEOP. In addition each scheme will require AHLLP and the Council to enter into a specific funding agreement for SGEI purposes and also where RTB receipts are being utilised to ensure that the receipts are used in accordance with the legislation, the Council's agreement with the SOS and for the purposes that they are intended.

7.5 In the same way that the Council has to resolve to make a loan, then EHICL and AHLLP, as separate legal entities and acting through either its Board of Directors or Executive Committee, will need to resolve to take the loan and to use it to purchase properties. In the case of AHLLP the loan will be classed as

an Additional Loan which will require the agreement of both Members. There will need to be a loan agreement between the Council and the company / partnership formalising the terms of the advance and repayment of funds.

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8 Risk management implications

8.1 Under this proposal the Council would lend funds to purchase properties within set parameters to be defined by the Council as set out with the report recommendation(s).

8.2 The Council's key risk(s) relates to the partnerships' ability to meet the loan payments. Each loan provided to AHLLP will have a legal charge in LDC's benefit in the event of any default.

8.3 The key risks for the partnership includes:

i) Effective rent collection
ii) The ability to efficiently let properties
iii) The general management operating within the viability assumptions – i.e. repairs levels, voids, bad debts and management costs (as assumed)

8.4 Each property or land purchase will be subject to an appraisal and red book valuation and a full survey to ensure the Council is obtaining value for money, in addition to fulfilling its wider strategic objectives. The legal risks will be assessed as the project progresses as part of the due diligence process.

9 Equality analysis

9.1 The provision of diverse, good quality and well-managed housing, with a mix of tenure and affordability, helps meet the needs of the wider community.

9.2 An increase in available and accessible affordable housing allows the Council to provide assistance to those most in need within our community.

10 Appendices

10.1 None.

11 Background papers

11.1 None.

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Report to:	**Cabinet**
Date:	**6 February 2019**
Title:	**Contract Procedure Rules Waiver to Appoint Business Stream for Supply of Water and Sewerage Services**
Report of:	**Ian Fitzpatrick, Director of Regeneration and Planning**
Cabinet member:	**Councillor Colin Swansborough**
Ward(s):	**All**
Purpose of report:	**To seek Cabinet approval for an additional one year Contract Procedure Rule waiver to appoint Business Stream for supply of Water and Sewerage Services.**
Decision type:	**Non-Key**
Officer recommendation(s):	**(1) To approve an additional one year waiver as per clause 2.4 of the Contract Procedure Rules to appoint Business Stream for supply of Water and Sewerage Services.** **(2) To approve the Accountable Officer to sign an additional one year waiver to appoint Business Stream for supply of Water and Sewerage Services**
Reasons for recommendations:	**(1) Data is not yet available to enable an effective procurement exercise.** **(2) A Water Regulator review is due in April 2020 which may reduce wholesale costs.** **(3) Potential for procurement exercise via Clear Sustainable Futures for all the Councils Utilities.**
Contact Officer(s):	**Name: Mark Langridge-Kemp** **Post title: Interim Head of Property and Facilities** **E-mail: mark.langridge-kemp@lewes-eastbourne.gov.uk** **Telephone number: 01323 415876**

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1 Introduction

1.1 With the introduction of Corporate Landlord, the Council reviewed the method of how utility invoices are received and processed across all service areas, and a process of receiving monthly paperless consolidated invoices has been initiated.

1.2 The non domestic water market was opened for competition from April 2018, at

which time PFSS put in place a one year Contract Procedure Rule (CPR) waiver with Business Stream for the supply of Water and Sewerage services.

1.3 Business Stream was one of the Council's incumbent suppliers of Water and Sewerage services. With the then pending merger of the Council's finance teams and IT systems in April 2018, and the resulting requirement to develop an electronic consolidated billing solution, a contract solution was required which gave consistency of supply, good customer service and value for money; this solution is working as expected.

2 Proposal

2.1 The proposal is to extend the arrangement with Business Steam for one more year up to 31st March 2020 across both LDC and EBC via a new CPR waiver. This one year extension will enable the following:-

- To address any outstanding data quality issues and to enable the Councils to have accurate data for an effective procurement exercise for these services post April 2020;
- Continuation of supply, service and costs via Business Stream;
- To enable further liaison with Clear Sustainable Futures (CSF) for the procurement of all the utilities energy and services procurement across the estate;
- To enable the Councils to use an existing framework agreement for the supply of Water and Sewerage services if CSF procurement is not pursued; and
- To enable the Councils to procure their own contract for the supply of Water and Sewerage services if CSF procurement is not pursued.

2.2 The estimated costs for the one year waiver for EBC is £146,000

3 Outcome expected and performance management

3.1 The expected outcome of the one year waiver is the continuity of supply, customer service and security of costs for the Council.

3.2 The level of support prior and since the implementation of the existing waiver has been exemplary, and this is expected to continue in the additional year.

4 Consultation

4.1 The Council has been in discussion with CSF regarding the procurement of utilities, whose recommendation was to continue with existing arrangements where possible to 2020 when, working with LDC and EBC, they would review the Councils' utility requirements.

5 Corporate plan and council policies

5.1 This proposal supports the main aims of the Council and Corporate Plans 2016-2020 by putting in place arrangements that will enable officers to deliver value for money supply, service and costs through existing arrangements prior to a

review in 2020.

6 Business case and alternative option(s) considered

6.1 There are two possible frameworks which the Council could undertake a procurement exercise on, these being with Crown Commercial Services and Laser Energy; both these options involve undertaking mini procurements rather than direct award. Due to the uncertainty of the Councils' data quality, it is believed these options would expose the Councils to increased costs due to the supplier adding risk into its pricing based upon inaccurate data.

7 Financial appraisal

7.1 There are no financial implications to the recommendations being made in this report as all costs are contained within existing budgets.

8 Legal implications

As the estimated value of this contract is under the EU threshold for public procurement, direct award of the contract is permitted under the Council's constitution via clause 2.4 of the Contract Procedure Rules. Due to the nature of the waiver, Cabinet approval is required. Procurement team to consult with legal services where necessary.

Legal advice provided under matter ref: 007678-JOINT-CEC

9 Risk management implications

9.1 The recommendations in this report present low-risk proposals and will allow continuity of supply, customer service and security of costs for the Council.

10 Equality analysis

10.1 There are no equality impacts as a result of the recommendations of this report.

11 Appendices

None

12 Background papers

None

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of the Local Government Act 1972.

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