



Lewes District Council

To all Members of the Cabinet

A meeting of the **Cabinet** will be held in the **Ditchling Room, Southover House, Southover Road, Lewes** on **Thursday, 12 February 2015** at **14:30** which you are requested to attend.

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

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

10/02/2015

Catherine Knight
Assistant Director - Corporate Services

Agenda

- 1 Minutes**
To approve the Minutes of the meeting held on 5 January 2015 (copy previously circulated).
- 2 Apologies for Absence**
- 3 Declarations of Interest**
Disclosure by councillors of personal interests in matters on the agenda, the nature of any interest and whether the councillor regards the interest as prejudicial under the terms of the Code of Conduct
- 4 Urgent Items**
Items not on the Agenda which the Chair of the meeting is of the opinion should be considered as a matter of urgency by reason of special circumstances as defined in Section 100B(4)(b) of the Local Government Act 1972
- 5 Public Question Time**

To deal with any questions received from members of the public in accordance with Council Procedure Rule 10 (if any).

6 Written Questions from Councillors

To deal with written questions which councillors may wish to put to the Chair of the Cabinet in accordance with Council Procedure Rule 11 (if any).

7 Matters Referred to the Cabinet

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

None.

8 Reporting Back on Meetings of Outside Bodies

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

9 Devolution Committee Minutes - 9 December 2014

To note the Recommendations of the Devolution Committee at its meeting held on 9 December 2014 (Minutes herewith – page 5) and to consider the recommendations of that Committee at its meeting held on 27 January 2015 (Minutes herewith - page 10).

10 Reports from Officers

- Key Decisions

Scrutiny Committee 15 January 2015

To consider the Recommendations of the Scrutiny Committee at its meeting held on 15 January 2015 which have implications for the budget Reports to Cabinet (Minutes herewith - page 20).

10.1 Annual Treasury Management Strategy Statement and Investment Strategy 2015 2016 to 2017 2018

Cabinet Member: Councillor Smith

To consider the Report of the Director of Finance (Report No 17/15 herewith – page 25).

10.2 General Fund Revenue Budget 2015 2016

Cabinet Member: Councillor Smith

To consider the Report of the Director of Finance (Report No 18/15 herewith – page 55).

- 10.3 Housing Revenue Account Budget 2015 2016**
Cabinet Member: Councillor Howson
To consider the Report of the Director of Finance (Report No 19/15 herewith – page 95).
- 10.4 The Capital Programme 2014 2015 to 2017 2018**
Cabinet Member: Councillor Smith
To consider the Report of the Director of Finance (Report No 20/15 herewith – page 118).
- 10.5 LASER Energy Flexible Framework Renewal**
Cabinet Member: Councillor Smith
To consider the Report of the Director of Corporate Services (Report No 21/15 herewith – page 131).
- 10.6 Service Level Agreements for Voluntary and Community Associations**
Cabinet Member: Councillor Howson
To consider the Report of the Director of Business Strategy and Development (Report No 22/15 herewith – page 137).
- 10.7 Wave Leisure Annual Service Delivery Plan 2015 - 16**
Cabinet Member: Councillor Maskell
To consider the Report of the Director of Service Delivery (Report No 23/15 herewith – page 168).
- Non-Key Decisions**
- 10.8 East Sussex Electoral Review**
Cabinet Member: Councillor Smith
To consider the Report of the Assistant Director of Corporate Services (Report No 24/15 herewith – page 214).
- 10.9 Independent Remuneration Panel – Members’ Allowances Scheme**
Cabinet Member: Councillor Blackman
To consider the Report of the Assistant Director of Corporate Services (Report No 25/15 herewith – page 219).
- 10.10 Superfast Broadband for Businesses**
Cabinet Member: Councillor Blackman
To consider the Report of the Director of Business Strategy and Development (Report No 26/15 herewith – page 233).

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

Distribution: Councillors: R Blackman; P L Franklin; P A Howson; A T Jones;
R K Maskell; E C Merry and A X Smith.



Devolution Committee

Minutes of a meeting of the **Devolution Committee** held in the **Telscombe Room, Southover House, Southover Road, Lewes** on **Tuesday 9 December 2014** at 10.00am.

Present:

Councillors P F Gardiner (Chair on Election), D Gray, J M Harrison-Hicks, C S Lambert, A X Smith and J Stockdale.

Also Present:

A Blanshard, Committee Officer
C Knight, Assistant Director of Corporate Services
J Magness, Director of Finance
P Morris-Jones, Graduate Intern

	Minutes	Action
1	Election of Chair <u>Resolved:</u> 1.1 That Councillor Gardiner be elected Chair of the Committee for the municipal year 2014/15.	
2	Apologies for Absence/Declaration of Substitute Councillors Apologies for absence had been received from Councillor A Dean. Councillor J Stockdale declared that he was substituting for Councillor Dean.	
3	Minutes <u>Resolved:</u> 3.1 That the minutes of the Devolution Committee held on 23 July 2007 be approved as a correct record and signed by the Chair.	
4	Declaration of Interests Councillors declared that they were members of Town Councils as follows:	

Councillor Stockdale, Lewes Town Council;

Councillors Harrison-Hicks and Smith, Peacehaven Town Council;

Councillor Smith, Telscombe Town Council.

5 Devolution of Open Spaces to Town and Parish Councils

The Committee considered Report No 184/14 which outlined the progress of devolution requests from Town and Parish Councils and set out a timetable for the completion of the devolution process.

The Director of Finance explained to the Committee that he had prepared a blueprint for the devolution process that would enable any Councillor or Officer to continue the process following the local elections in May 2015. He informed the Committee of the background to the devolution of assets. The Special Expenses charge for open spaces and recreation areas had been a key driver generating discussions on devolution with Town and Parish Councils. A list of all sites subject to Special Expenses was contained at Appendix E to the Report. All eight Town and Parish Councils where Special Expenses charges applied had expressed an interest in the potential transfer of sites within their area.

The Director of Finance explained that the annual budget and precept setting cycle significantly influenced the timing of any transfers. The work required for devolution included due diligence, Council approvals and legal freehold completion. These needed to complement the budget timetables of both the District and Town/Parish Councils. The ideal annual cut-off date for transferring freehold ownership would be the end of November to avoid uncertainty for both parties. The reason for this was that Town/Parish Councils would not want to include provision in their precept if they were unsure of asset ownership in the coming year. The District Council would not want to omit an item from its Special Expense budget if the transfer did not then proceed.

The Assistant Director of Corporate Services explained to the Committee that Brighton and Hove City Council had been enlisted to assist with the legal work. There were over 40 sites being looked at and this was being done in prioritised stages, the reports for which would be delivered when complete. There was a large amount of work involved for each of the sites. Each report included:

- Obtaining Land Registry official copies of the title register and checking their contents;
- Extracting documents still of relevance to the title from deed packets and checking their contents; and
- Producing a written report, with appropriate annexed documents.

These reports would not contain copies of pre-exchanges searches such as

local land searches, local authority searches, drainage and water authority enquiries, environmental data or flood searches. These would be the responsibility of the solicitors to the Town/Parish Council and obtained at the expense of the Town/Parish Council. These reports would be provided to Town/Parish Clerks to enable them to assess the implications for their Council. It was expected that the majority of Town and Parish Councils would have made their assessment of devolution proposals by 31 March 2015 and be in a position to confirm their decision.

The Assistant Director of Corporate Services reminded the Committee that it had been resolved at Council that there would be monthly updates provided on each stage.

The Director of Finance drew the Committee's attention to Appendix B of the Report which set out a guidance note and template that District Council Officers had drawn up to assist Town/Parish Clerks in the assessment of the implications of devolution for their Councils.

The Director of Finance then informed the Committee that the first phase of devolution proposals for consideration were shown in section 9 of the Report. The reports for two of Lewes Town Council's sites, namely Landport Bottom and Malling Recreation Ground, had been completed and the Ringmer Parish Council Forges site was in the first phase of reports to be produced. He explained that if the Committee decided to recommend the devolution of these sites to Cabinet, then he would share the reports for these with the relevant Clerks following the meeting.

The Director of Finance circulated two plans of the Malling Recreation Ground, labelled Plan A and Plan B, copies of which are contained in the Minute Book. He explained to the Committee that the actual area of each site did not always match perceptions of a site. It was important that the District Council knew the expectations of the Town/Parish Council of the land to be transferred. The difference between Plan A and Plan B demonstrated this. Plan A showed the land that Lewes Town Council wanted transferred, Plan B showed the full area of land that was proposed for devolution.

A discussion followed during which members expressed how important it was for both parties involved to actually see the land subject to devolution. In principle, the Committee expressed the view that it would be preferable to devolve the whole of each site, however it was important to take into account the wishes of each Town/Parish Council and to let them lead discussions. It was agreed that the ideal situation would be that, at the end of the process, all land was devolved and that the District Council was not left with odd parcels which might become unmanageable and therefore a future financial burden for the District. However, as this was a rolling programme, it was not essential for all land to be devolved at the same time. The Director of Finance explained that there were other sites with similar issues and he proposed that copies of each plan be brought to the next meeting of the Devolution Committee so that these issues could be

addressed.

The Committee agreed that the process would be driven by the Town and Parish Councils, but that they would appreciate clarity on how the District Council might share information and due diligence with the relevant authorities.

The Director of Finance then outlined the proposed devolution of the Landport Bottom site. He explained that this would be much simpler, as it was currently under the joint ownership of Lewes District and Lewes Town Council. This would involve us transferring our 50% share to the Town Council. The Committee asked if there were any financial reserves held by the District Council in respect of Landport Bottom. The Director of Finance explained that, if there were, this would be subject to separate discussions to the devolution of the land.

The Director of Finance circulated plans of the Forges site at Ringmer, a copy of which is contained in the Minute Book. He informed the Committee that the proposal was to devolve all those areas highlighted in green. The Committee was informed that Ringmer Parish Council intended to take on the maintenance of the site as it had its own in-house maintenance team. The Director of Finance explained that if the Committee recommend to Cabinet to accept the devolution, the Council would proceed as soon as it had confirmation from Ringmer Parish Council.

The Assistant Director of Corporate Services explained to the Committee how the Grounds Maintenance arrangements which had been discussed by Cabinet would integrate with devolution. She advised that the Contractor was aware that the contract might vary in size and that land could be either withdrawn or added to the contract. She also advised the Committee that it was important to be aware that any changes that might be made would not affect the material nature of the contract. Both Town Clerks and the Contractor were fully aware of this.

The Director of Finance drew the Committee's attention to section 10.4 of the Report which highlighted that the District Valuer had been instructed to provide a commentary on the proposal to transfer assets at a nil value. He informed the Committee that this was an essential administrative point and that the precedent for the devolution discussions was to conduct the transfers at nil value for retention of existing use, but there will be an overage clause to cover change in use. The commentary from the District Valuer was a useful record, but the Council was permitted to proceed without it.

During the consideration of the Report, the Committee established several points of interest that they required more information on, these included matters of reserves and sharing of site surveys. It was requested that the Director of Finance present a report containing details on this to a future meeting of the Devolution Committee and that the meeting be held as soon as possible.

Resolved:

- | | | |
|------------|---|-----|
| 5.1 | That the progress on devolution, since the introduction of Special Expenses, be noted; | |
| 5.2 | That the Devolution Committee recommends to Cabinet the devolution of Landport Bottom and Malling Recreation Ground, as shown on Plan A, to Lewes Town Council during 2014/2015; | CO |
| 5.3 | That the Devolution Committee recommends to Cabinet the devolution of the Forges site at Ringmer to Ringmer Parish Council during 2014/2015; | CO |
| 5.4 | That the Devolution Committee recommends to Cabinet that no Special Expenses should apply in 2015/2016 in respect of Landport Bottom, Malling Recreation Ground and the Forges at Ringmer; | CO |
| 5.5 | That the Director of Finance be requested to present a report containing details on matters relating to financial reserves, sharing of site survey information, and further information on each site to a future meeting of the Devolution Committee; and | DoF |
| 5.6 | That the next meeting of the Devolution Committee be arranged for January 2015 and quarterly thereafter to oversee the progress of remaining sites in the devolution process. | CO |
| 6 | Date of Next Meeting | |
| | <u>Resolved:</u> | |
| 6.1 | That the next meeting of the Devolution Committee will be held in January 2015 on a date yet to be confirmed. | CO |

The meeting ended at 11.16am

P F Gardiner
Chair

Devolution Committee

Minutes of a meeting of the **Devolution Committee** held in the **Ditchling Room, Southover House, Southover Road, Lewes** on **Tuesday 27 January 2015** at 10.00am.

Present:

Councillors P F Gardiner (Chair), D Gray, J M Harrison-Hicks, E C Merry, A X Smith and J Stockdale.

Also Present:

Z Downton, Committee Officer
J Magness, Director of Finance
M Reynard, Head of Legal Services

	Minutes	Action
7	<p>Minutes</p> <p>That the minutes of the Devolution Committee held on 9 December 2014 be approved as a correct record and signed by the Chair.</p> <p>The Director of Finance clarified some matters raised by the Committee under Minute No 5. He advised that the Committee would be better placed to discuss further the question of whether all the land should be devolved at the same time after consideration of each site map, which formed part of his Report (No 15/15) being presented to the meeting. He explained that an update on the site for devolution at The Forges, Ringmer was also contained within his Report. In response to a query in relation to overage clauses as part of the devolution process, the Head of Legal Services explained that they would be carried out on a transaction by transaction basis for each site.</p>	
8	<p>Apologies for Absence</p> <p>Apologies for absence had been received from Councillors C S Lambert and B M Warren. Councillor Merry declared that she was substituting for Councillor Warren.</p>	
9	<p>Declaration of Interests</p> <p>It was noted that some members of the Committee were also members of Town Councils within the District.</p>	

10 Urgent Items

The Chair advised that it had been agreed, in accordance with Section 100B(4)(b) of the Local Government Act 1972, that Report No 15/15 entitled 'Devolution of Open Spaces to Town and Parish Councils' be considered as a matter of urgency in order that the Committee could take its decisions based on the most up to date information.

11 Devolution of Open Spaces to Town and Parish Councils

The Committee considered Report No 15/15 which provided information on matters raised at the last meeting of the Committee held on 9 December 2014, and that required further consideration.

The Director of Finance highlighted those points identified as follows:

- Provision of site plans for the remaining open space sites.
- How the District Council might share information and due diligence with the relevant authorities, including site surveys.
- Any reserves and balances that might be considered for transfer with devolved assets.

Appendix A of the Report showed the individual site plans for open spaces that were subject to Special Expenses. The Committee considered each site plan and whether there were any reasons why the sites or part of any site should not be considered as suitable for negotiation for devolution to Town/Parish Councils. It was noted that the site plans for Seaford had been excluded at this point in time as the Town Clerk had advised the Director of Finance that Seaford Town Council's resources were committed to delivering existing projects.

The Director of Finance drew the Committee's attention to the updates made to Appendix A which were tabled at the meeting, a copy of which is contained in the Minute Book and appended to these Minutes. He highlighted that the Meeching Down Open Space site was a strategic site to be retained by the Council and not for potential devolution. The Committee's attention was also drawn to the site plan for West Quay (North) Open Space, Newhaven, to be included as part of Appendix A which had been omitted from the agenda papers previously circulated.

The Committee noted that the boundaries for each site highlighted in red were at this stage in principle and that any queries relating to the exact boundary details would be resolved further along the devolution process.

The Committee made the following additional observations and comments regarding certain site plans:

- **Castle Hill, Newhaven** (pages 34 and 35 of the Agenda). The Committee suggested that a larger scale map of the site on page 35

would provide a clearer indication of the exact boundaries. The Director of Finance responded that he would bring this to the next meeting of the Committee.

DF

- **Telscombe Cliff Tops, Telscombe** (pages 42 – 45 of the Agenda). The Head of Legal Services explained that after transfer of the land through devolution, the legal powers for coastal protection including those relating to cliff erosion would remain with Lewes District Council as a statutory coast protection authority. He further explained that general maintenance, such as fence repairs, would become the responsibility of the Town Council. In response to a councillor's question, he assured the Committee that after devolution, the Council's rights of access to the land to carry out its statutory powers in relation to coastal protection would not be affected. He added that a coast protection authority could acquire rights of passage for facilitating coast protection work by agreement or compulsorily, so all necessary rights could be reserved in the land transfer.
- **Aquila Park, Seaford** (page 47 of the Agenda). The Committee noted that the location of the site plan should read Seaford and not Peacehaven.

Section 4 of the Report outlined the due diligence process whereby each party to a commercial transaction would undertake its own diligence to ensure that all facts were established and understood before deciding whether to conclude a transaction. The Committee noted that this was a standard procedure expected to be followed by each authority. The Director of Finance highlighted that in order to assist Town/Parish Clerks, information held by the District Council could be shared with them in order to provide a better understanding of each site to be considered for transfer. That information would include any asset management plans and details of expenditure incurred in recent years on maintenance and repairs.

The Director of Finance highlighted paragraph 4.5 of the Report which asked for the Committee's views on the possibility that requests may arise during the devolution discussions whereby the District Council was asked to contribute towards or fully fund site survey costs, or provide indemnity should liabilities arise at a future point following transfer of land site. A discussion followed on the potential costs of surveys and whether the District Council potentially had funding available, the type of surveys and the expectations of Town/Parish Councils on these matters.

The Director of Finance explained, as detailed under Section 5 of the Report, that there were some reserves and developer contributions held within the Council's accounts that could be considered as part of a devolution package. Appendix B listed balances of the developer contributions accounts as at 20 January 2015. The Committee suggested it would be appropriate for the transfer of those site specific reserves and balances to be considered, particularly as a precedent for such

consideration had been set during previous phases of devolution to Seaford Town Council. The transfer of uncommitted developer contributions and reserves would be dependent upon a Town/Parish Council taking on devolution of a complete package for their locality.

The Head of Legal Services drew the Committee's attention to the statutory duty of the Council, as imposed by Section 123 of the Local Government Act 1972, to advertise proposed disposals and consider any objections before a decision was made as to whether or not to dispose of the land, as set out in paragraph 7.3 of the Report. Section 123 applied to disposals from one authority to another. He explained that a two week notice period applied. The Committee responded that immediate action should therefore be taken to prepare the necessary notices in respect of the first phase of devolution proposals for consideration relating to the sites at Landport Bottom, Lewes, Malling Recreation Ground, Lewes and The Forges, Ringmer. The Director of Finance undertook to action the Committee's request through the Lead Councillor decision route, in advance of Cabinet's normal consideration of the Minutes of the meeting.

During the course of the meeting the Committee considered and discussed Appendix D of the Report which related to confidential legal advice on the devolution of open spaces to Town and Parish Councils. Members suggested that covenants be imposed on transfers to restrict the use of the land to public open space.

Resolved:

- 11.1** That the Devolution Committee recommends to Cabinet the following regarding each site plan for consideration for devolution to Town/Parish Councils, as set out in Appendix A of Report No 15/15:
- i. Barons Down, Lewes** (page 7 of the Agenda). Suitable for negotiation;
 - ii. Bell Lane Recreation Ground and tree band, Lewes and Bell Lane Play Area, Lewes** (pages 8 and 9 of the Agenda). Suitable for negotiation;
 - iii. Jubilee Gardens, Lewes** (page 10 of the Agenda). Suitable for negotiation;
 - iv. Lewes Library, Lewes** (page 11 of the Agenda). Suitable for negotiation, subject to clarification by the Director of Finance that the site is part of the Grounds Maintenance contract 'Special Expenses';
 - v. Landport Bottom, Lewes** (pages 12 – 17 of the Agenda). Suitable for negotiation;
 - vi. Lewes Railway Land, Lewes** (pages 18 – 20 of the Agenda).

CO (DF
to note)

DF

- Suitable for negotiation;
- vii. **Malling Railway Cutting, Lewes** (pages 21 – 22 of the Agenda). Suitable for negotiation;
- viii. **Southover Gardens (excluding depot), Lewes** (page 23 of the Agenda). Suitable for negotiation;
- ix. **Southover Gardens (including depot), Lewes** (page 24 of the Agenda). Not suitable for negotiation, due to operational purposes relating to the use of the depot;
- x. **The Gallops, Lewes** (page 25 of the Agenda). Suitable for negotiation. (The Head of Legal undertook to try and determine the connectivity issues with the highlighted boundary to the left of the identified site with the land at Landport Bottom);
- xi. **Timber Yard Lane Play Area, Lewes** (page 26 of the Agenda). Suitable for negotiation;
- xii. **Valence Road, Lewes** (page 27 of the Agenda). Suitable for negotiation;
- xiii. **Waite Close, Lewes** (page 28 of the Agenda). Suitable for negotiation;
- xiv. **Stanley Turner Recreation Ground, Lewes** (Pages 29 and 30 of the Agenda). Suitable for negotiation, but requires land ownership clarification on whether the Trust owns all of the site identified for devolution or if Lewes District Council owns any part thereof;
- xv. **Convent Field, Lewes** (page 31 of the Agenda). Suitable for negotiation, subject to the extension of the site boundary to include the Dripping Pan (football ground) area;
- xvi. **The Paddock Play Area, Lewes** (page 32 of the Agenda). Suitable for negotiation;
- xvii. **Avis Road Recreation Ground/Drove Park/Denton Recreation Ground, Newhaven** (page 33 of the Agenda). Suitable for negotiation;
- xviii. **Castle Hill, Newhaven** (pages 34 and 35 of the Agenda). Suitable for negotiation;
- xix. **Court Farm Road, Newhaven** (page 36 of the Agenda). Suitable for negotiation;
- xx. **West Quay, Newhaven** (page 37 of the Agenda). Suitable for

Head of
Legal

DF/ADCS

- negotiation;
- xxi. **West Quay (North) Open Space, Newhaven** (as set out under the updated Appendix A, a copy of which is contained in the Minute Book and appended to these Minutes). Suitable for negotiation;
 - xxii. **Riverside Park, Newhaven** (page 38 of the Agenda). Suitable for negotiation;
 - xxiii. **Valley Road/Parkour Play Area, Newhaven** (page 39 of the Agenda). Suitable for negotiation;
 - xxiv. **Eastside Recreation Ground, Newhaven** (page 40 of the Agenda). Suitable for negotiation;
 - xxv. **Fort Road Recreation Ground, Newhaven** (page 41 of the Agenda). Suitable for negotiation;
 - xxvi. **Telscombe Cliff Tops, Telscombe** (pages 42 – 45 of the Agenda). Suitable for negotiation;
 - xxvii. **Telscombe Playing Fields, Telscombe** (page 46 of the Agenda). Suitable for negotiation;
 - xxviii. **Aquila Park, Seaford** (page 47 of the Agenda). Suitable for negotiation;
 - xxix. **Firle Road Walkway, Peacehaven** (page 48 of the Agenda). (Clarification to be sought by the Head of Legal that the square section north of Pelham Rise on the site map is not owned by Lewes District Council);
 - xxx. **Lake Park, Peacehaven** (page 49 of the Agenda). Suitable for negotiation. (Subject to confirmation that the site is part of the General Fund and not the Housing Revenue Account Fund);
 - xxxi. **Meridian Park, Peacehaven** (page 50 of the Agenda). Suitable for negotiation;
 - xxxii. **Peacehaven Cliff Tops, Peacehaven** (pages 51 – 55 of the Agenda). Suitable for negotiation;
 - xxxiii. **The Martlets, South Chailey Play Area, Chailey** (page 56 of the Agenda). Suitable for negotiation;
 - xxxiv. **The Forges, Ringmer** (page 57 of the Agenda). Suitable for negotiation;
 - xxxv. **The Malthouse, Cooksbridge Play Area, Hamsey** (page 58 of the Agenda). Suitable for negotiation;

Head of
Legal

11.2	That the Devolution Committee recommends to Cabinet that Malling Recreation Ground, Lewes , as part of the first phase of sites for devolution, and which had been omitted from the site plans as set out in Appendix A to Report No 15/15, be included for consideration for devolution as suitable for negotiation;	CO (DF to note)
11.3	That the Devolution Committee recommends to Cabinet that Lewes District Council should not fully fund or contribute towards site survey costs arising from the devolution process, unless for special reasons, then consideration be made only on a case by case basis, as raised under paragraph 4.5 of Report No 15/15;	CO (DF to note)
11.4	That the Devolution Committee recommends that Cabinet notes that Lewes District Council does not anticipate providing an indemnity should liabilities arise at a future point following transfer of sites by devolution, as raised under paragraph 4.5 of Report No 15/15;	CO (DF to note)
11.5	That the Devolution Committee recommends that Cabinet be minded to consider the transfer of site specific reserves and developer contributions held within Lewes District Council's accounts as part of a devolution package, as detailed under Section 5 and Appendix B of Report No 15/15; and	CO (DF to note)
11.6	That the Director of Finance be requested to take immediate action to issue the necessary statutory notices, under Section 123 of the Local Government Act 1972, relating to the Council's intention to dispose of the first phase sites of devolution proposals for consideration, namely at Landport Bottom, Lewes, Malling Recreation Ground, Lewes and The Forges, Ringmer , and to ask the appropriate Lead Member to exercise delegated powers in accordance with the Council's Constitution.	DF/ADCS
12 Date of Next Meeting		
<u>Resolved:</u>		
12.1	That the next meeting of the Devolution Committee be held in June 2015, exact date to be confirmed.	All to note/CO

The meeting ended at 12.25pm

P F Gardiner
Chair

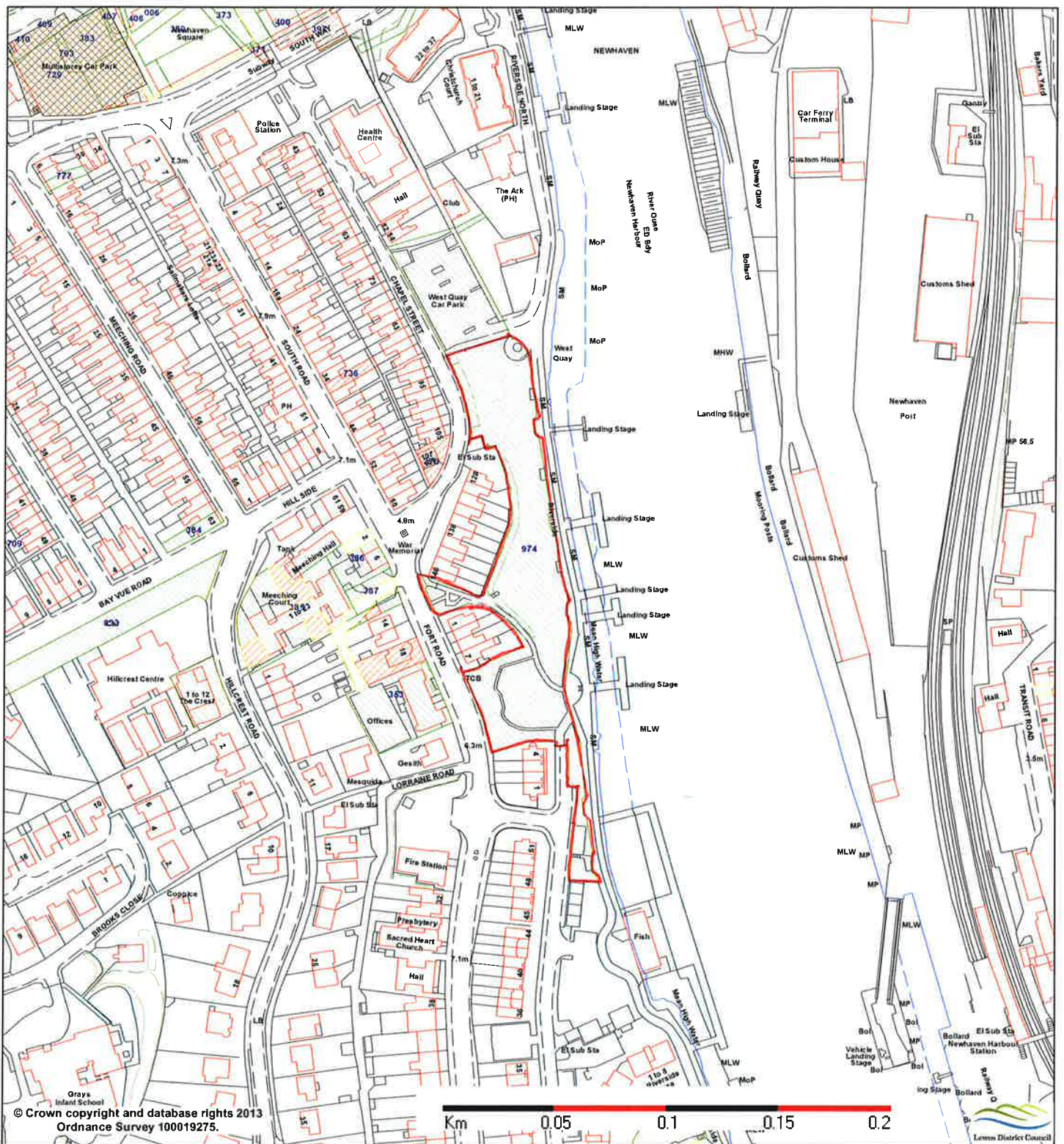
Appendix A

Site Name	Town	Comments
Barons Down	Lewes	To be transferred.
Bell Lane	Lewes	To be transferred.
Castle Banks	Lewes	Grounds maintenance as part of agreement with land-owner (not LDC land)
Grange Road	Lewes	To be transferred.
Jubilee Gardens	Lewes	To be transferred.
Landport Bottom	Lewes	To be transferred.
Lansdown Place	Lewes	To be transferred.
Lewes Library Site	Lewes	Part transferred (land retained as strategic footprint).
Lewes Railway Land	Lewes	To be transferred.
Malling Railway Cutting	Lewes	To be transferred.
Malling Street	Lewes	Grounds maintenance as part of agreement with land-owner (not LDC land)
Phoenix Causeway/Little East Street	Lewes	Grounds maintenance as part of agreement with land-owner (not LDC land)
Southover Grange Gardens	Lewes	To be transferred.
The Gallops	Lewes	To be transferred.
Timberyard Lane	Lewes	To be transferred.
Valence Road	Lewes	To be transferred.
Waite Close	Lewes	To be transferred.
Watergate Lane	Lewes	Grounds maintenance as part of agreement with land-owner (not LDC land)
Lewes Skate Park	Lewes	To be transferred (part of Malling Rec site).
Malling Rec	Lewes	To be transferred.
Stanley Turner	Lewes	To be transferred.
Convent Field	Lewes	To be transferred.
The Paddock	Lewes	Leased land from ESCC (lease to be transferred).
Avis Road Rec	Newhaven	To be transferred.
Castle Hill	Newhaven	To be transferred.
Court Farm Road Island	Newhaven	To be transferred.
Denton Island	Newhaven	Strategic site to be retained.
Drove Park	Newhaven	To be transferred.
Huggets Green (West Quay)	Newhaven	To be transferred.
Meeching Down Open Space	Newhaven	Strategic site to be retained.
Newhaven Town Centre	Newhaven	Grounds maintenance as part of agreement with land-owner (not LDC land)
Riverside Park	Newhaven	To be transferred.
Valley Road/Parkour	Newhaven	To be transferred.

Appendix A


West Quay (South) Open Space	Newhaven	To be transferred.
Denton Rec	Newhaven	To be transferred
Eastside Rec	Newhaven	To be transferred.

Fort Road Outdoor Gym	Newhaven	To be transferred.
Fort Road Rec	Newhaven	To be transferred.
Fort Road Skate Park	Newhaven	To be transferred.
Fairlight Avenue	Telscombe	Strategic site to be retained.
Telscombe Cliff Tops	Telscombe	To be transferred.
Firle Road Walkway	Peacehaven	To be transferred.
Lake Park	Peacehaven	To be transferred.
Meridian Park	Peacehaven	To be transferred.
Peacehaven Cliff Tops	Peacehaven	To be transferred.
The Martlets	Chailey	To be transferred.
The Forges	Ringmer	To be transferred.
The Malthouse, Cooksbridge	Hamsey	To be transferred.




Lewes District Council
www.lewes.gov.uk

Estates & Valuation
Services

<h2>West Quay (North) Open Space Newhaven</h2>			
Devolution Project 544734/101147	DP: 974 Page 19 of 240	SCALE: 1:2500	PLAN NO. E008/15
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Lewes District Council

Scrutiny Committee

Minutes of a meeting of the **Scrutiny Committee** held in the **Telscombe Room, Southover House, Southover Road, Lewes** on **Thursday 15 January 2015** at **10.00am**

Present:

Councillors S J Osborne (Chair), S J Gauntlett, J M Harrison-Hicks, C R O’Keeffe and J Stockdale

Officers Present:

R Allan, Performance Officer (Scrutiny)
J Harper, Head of Business Strategy and Performance
S Jump, Head of Finance
J Magness, Director of Finance

Minutes

39 Minutes

The Minutes of the meeting held on 13 November 2014 were approved as a correct record and signed by the Chair.

40 Apologies

Apologies for absence had been received from Councillors J V Harris, E E J Russell and I J White.

41 Disclosure of Interest

Councillors S J Gauntlett, J M Harrison-Hicks, C R O’Keeffe and J Stockdale declared their personal, non-prejudicial interest in Agenda Item 7 (2015/2016 Revenue Budgets and Capital Programme).

42 Urgent Item

The Chair advised that she had agreed, in accordance with Section 100B (4) (b) of the Local Government Act 1972, that the Forward Plan be considered as a matter of urgency in order that the Committee could take its decisions on the most up to date information.

43 Forward Plan

The Chair advised that at its previous meeting, members of the Committee had agreed that the Forward Plan of the Council should be considered at each meeting to enable the Committee to get involved with Cabinet decisions at an early stage in the process.

The Committee considered the Forward Plan, and requested clarification regarding the Property Report and the Environment Agency's proposal to end its management of water levels due to be considered at the meeting of the Cabinet on 12 February 2015. It further questioned the Strategy for Managing Industrial Estates due to be considered at the meeting of Cabinet on 19 March 2015.

In response to a Councillor's question, the Director of Finance advised that the Council may be able to share best practice with housing associations in regards to consultation with tenants about rent increases.

Resolved:

- 43.1** That the Head of Property and Facilities be requested to email all members of the Scrutiny Committee with further information on the Property Report, as detailed on the Forward Plan, in particular the levels of consultation; HP
- 43.2** That the Environmental Health Manager be requested to email all members of the Scrutiny Committee with further information on the Environment Agency's proposal to end its management of water levels, as detailed on the Forward Plan, in particular the levels of consultation; EHM
- 43.3** That the Head of Property and Facilities be requested to email all members of the Scrutiny Committee with further information on the Strategy for Managing Industrial Estates, as detailed on the Forward Plan, in particular the levels of consultation; and HP
- 43.4** That the Head of Customer Service be requested to email all members of the Scrutiny Committee with suggestions on how the Council could advise housing associations to consult with tenants in regard to rent increases. HCS (AC)

44 Scrutiny Committee Work Programme 2014/15

The Chair suggested to Councillors that the Committee consider the recent LEAP Apprentice Scheme and its conclusions at its meeting on 5 March 2015.

Resolved:

- 44.1** That the Head of Regeneration and Investment be requested to attend the Scrutiny Committee on 5 March 2015 with a Report HR&I

examining the LEAP Apprentice Scheme.

45 2015/2016 Revenue Budgets and Capital Programme

The Committee considered Report No 9/15 which explained the context in which the 2015/16 General Fund and Housing Revenue Account budgets and the Capital Programme had been prepared, so that the Committee could provide its comments to Cabinet as part of the budget setting process.

The Director of Finance introduced the Report to the Committee. He explained that this was a vital part of the budget setting process, and there had been significant changes in 2014/15 that this Report had recognised. He added that this Report was scheduled to be considered by Cabinet at its meeting on 12 February 2015, and may have a few small changes from the Report that had been presented at the Scrutiny Committee this morning, due to external factors.

The Head of Finance took the Committee through the Report. He advised that on 18 December 2014, the Government had released its Provisional Local Government Finance Settlement for 2015/16. The Settlement confirmed that local government could continue to see a reduction in their revenue spending power. He added that the Government believed all authorities should be freezing their council tax, and had provided additional funding equivalent to a 1% council tax increase to help councils achieve this freeze, and for authorities wishing to increase their council tax by 2% or more, a local referendum would be required. Town and Parish Councils continued to be exempt from the referendum requirement, although the Local Government Minister had welcomed views on whether the highest spending Town and Parish Councils should be subject to the same referendum principles as the rest of local government. The Director of Finance confirmed that the Council had responded to the Local Government Minister with its views on this matter.

In response to a Councillor's question, the Head of Finance confirmed that the Independent Remuneration Panel had concluded their review, and the Report would be presented to a future meeting of Full Council.

The Head of Finance drew the Committee's attention to Appendix B of the Report, which detailed the General Fund Service Summary. He explained the figures in the three columns and where potential changes had occurred,

In response to a Councillor's question, the Director of Finance advised that some modeling had taken place in preparation for the potential of deflation in future years, and more would take place. He added that some work had also taken place in regard to New Homes Bonus Money and whether this initiative had met its aims.

The Head of Finance explained that in November 2013, Cabinet had approved a schedule of payments to Town and Parish Councils for 2014/15, along with indicative grant amounts for 2015/16, assuming annual reductions of 15% in line with expected reduction in revenue Support Grant. He added that with Revenue Support Grant being expected to be withdrawn in 2019/20, maintaining grant payment to the Town and Parish Councils at a reducing rate of 15% annually would require an increase in the Council's savings target. A discussion followed, and Councillors questioned whether modelling for 2019/20 could be undertaken, which aimed for a 0% grant payment.

The Head of Finance explained that, due to the reduction in costs of the Ground Maintenance Contract, some of those savings would be passed to residents who would be affected by an increase in their council tax due to the introduction of special expenses. He added that Southover Grange in Lewes had a separate reserve budget as that had been received by a specific grant that had to be spent for that purpose. In response to a Councillor's question, the Director of Finance confirmed that Section 106 monies could not be used as part of council reserves.

In response to a Councillor's question, the Director of Finance took the Committee through the Council's plan for meeting the budgetary needs of the Council in light of upcoming staffing change, which included detailed handover information and risk management.

The Head of Finance took the Committee through the Capital Programme Outlook, as detailed in the table on page 10 of the Report. He explained that funding for the General Fund capital services continued to be tight, and that this could impact on how the Council allocated its reserves and the Working Balance.

The Committee considered the Housing Revenue Account Draft Budget 2015/16, as detailed on page 12 of the Report. The Head of Finance explained that this was in good financial health, and that appropriate consultation had taken place with tenants in regard to proposed rent increases.

(Note: Councillors S J Gauntlett, J M Harrison-Hicks, C R O'Keeffe and J Stockdale declared their personal, non-prejudicial interest in this item as they were members of Seaford, Peacehaven and Lewes Town Council respectively, therefore, were able to take part in the consideration, discussion and voting thereon)

Resolved:

- 45.1** That the Performance Officer (Scrutiny) be requested to email all members of the Scrutiny Committee with details of when the Independent Remuneration Panel's Report was being presented at Full Council;

PO

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|-------------|---|----|
| 45.2 | That the Director of Finance be requested to append Lewes District Council's response to the Government regarding Town and Parish Councils and council tax referendum principles; | DF |
| 45.3 | That the Scrutiny Committee welcomed the work undertaken to consult with housing tenants in the recent housing rent increase; and | PO |
| 45.4 | That a vote of thanks be accorded to officers within the Finance Department for their excellent work regarding the savings target. | PO |

and it was further

Recommended:

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|--------------|--|----|
| 45.5 | That the proposal to freeze Council Tax in 2015/16 be supported; | PO |
| 45.6 | That the need to deliver the savings target as detailed in Report No 9/15 be supported; | PO |
| 45.7 | That Cabinet be requested to agree the level of the Council's Reserves and Balances, as detailed in Report No 9/15; | PO |
| 45.8 | That Cabinet be requested to agree the Capital Programme Outlook; | PO |
| 45.9 | That Cabinet be requested to agree the 2-15/16 Housing Revenue Account draft budget and proposed rent increase; | PO |
| 45.10 | That Cabinet be requested to consider future modelling of Revenue Support Grant for 2019/2020, aiming for a 0% grant payment; and | PO |
| 45.11 | That Cabinet be requested to ensure that sufficient budgets were in place to meet staffing changes in the Finance Department at the Council. | PO |

46 Date of Next Meeting

Resolved:

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|-------------|--|-------------|
| 46.1 | That the next scheduled meeting of the Scrutiny Committee to be held on Thursday 5 March 2015 at 10.00am in the Telscombe Room, Southover House, Southover Road, Lewes be noted. | All to note |
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The meeting ended at 11.58am

S J Osborne
Chair

Agenda Item No: 10.1 **Report No:** 17/15
Report Title: Annual Treasury Management Strategy Statement and Investment Strategy 2015/2016 to 2017/2018
Report To: Cabinet **Date:** 12 February 2015
Cabinet Member: Councillor Andy Smith
Ward(s) Affected: All
Report By: John Magness, Director of Finance
Contact Officer(s):
Name(s): Stephen Jump
Post Title(s): Head of Finance
E-mail(s): steve.jump@lewes.gov.uk
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Purpose of Report:

To advise Cabinet of the proposed Treasury and Investment Strategies for 2015/2016 to 2017/2018.

To seek Council determination of (i) the 2015/2016 authorised borrowing limit (as required by section 3(1) of the Local Government Act 2003), (ii) the Council's 2015/2016 Investment Strategy and (iii) the method of calculating the Council's Minimum Revenue Provision.

Officers Recommendation(s):

1 To recommend to Council that:

- a. It adopts the Treasury Management Strategy Statement and Investment Strategy 2015/2016 to 2017/2018 set out in Appendix 1.
- b. The Council's 'Prudential Indicators' for the year are those set out in Appendix B of the Strategy document.
- c. The Council's level of affordable borrowing, determined in accordance with the Local Government Act 2003, is subject to the following limits:

	2015/2016	2016/2017	2017/2018
Authorised limit for external debt	£76.5m	£76.5m	£76.5m

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

1. The Council has adopted the CIPFA Code of Practice on Treasury Management. In accordance with the Code of Practice, the Cabinet approves an Annual Treasury Strategy Statement before the start of each financial year. This includes an Investment Strategy for the year ahead (which Government guidance notes should be adopted by full Council) as well as 'Prudential Indicators' which are required to be set in order to comply with the 'Prudential Code for Capital Finance in Local Authorities' (The Prudential Code). The majority of these indicators are an essential element of an integrated treasury management strategy.
2. The Local Authorities (Capital Finance and Accounting)(England)(Amendment) Regulations 2008 place a duty on local authorities to make a prudent provision for debt redemption. Guidance has been issued by the Secretary of State on determining 'Minimum Revenue Provision'.

Annual Treasury Management Strategy Statement and Investment Strategy 2015/2016 to 2017/2018

1. Introduction

- 1.1. The draft Strategy Statement sets out the background to the Council's treasury management activity both in terms of the wider economy and the Council's own current and projected financial position. It sets out the approach which will be taken to borrowing and the investment of cash balances. It explains the risks which are inherent in treasury management and how these are to be mitigated. The Strategy Statement specifies the Prudential Indicators which the Council is to set in order to meet the requirements of the Prudential Code; contains an 'MRP Statement' which defines the approach that the Council will take to make prudent provision for debt redemption; and establishes the policy for the separate management of General Fund and Housing Revenue Account borrowing.
- 1.2. The content of the draft Strategy Statement follows the requirements of CIPFA's revised Code of Practice which was published in November 2011. Arlingclose, the Council's Treasury advisers provided general support to the preparation of the draft Strategy Statement, and also made specific observations ahead of the review by the Audit and Standards Committee.

2. Audit and Standards Committee Review

- 2.1. The Audit and Standards Committee considered the draft Strategy Statement at its meeting on 26 January 2015, in line with the Code of Practice's recommendation that the annual Treasury Strategy should be subject to scrutiny. The Audit and Standards Committee's review did not encompass the Prudential Indicators, because some of these were still subject to final calculation pending the finalisation of the draft Capital Programme.
- 2.2. The attention of the Audit and Standards Committee was drawn to Arlingclose's observations, which were that:
 - the cash limit for negotiable instruments held in a broker's nominee account should be set at £10m

- the cash limit for money market funds should be set at £10m in aggregate
- reference should be made to a successor body of the PWLB as a potential source of borrowing.

2.3. The Audit and Standards Committee had no specific comments to draw to Cabinet's attention, and the draft Strategy Statement incorporating Arlingclose's observations is attached at Appendix 1.

3. Content

3.1. The Strategy Statement is a lengthy document and includes the use of technical terms where they are unavoidable. As explained to Councillors by the Council's Treasury advisors, Arlingclose, at a briefing meeting held in September 2014, the transposition of two European Union directives into UK legislation will place the burden of rescuing failing EU banks disproportionately onto unsecured local authority investors. The combined effect is to leave public authorities and financial organisations as the only senior creditors likely to incur losses in a failing bank after July 2015. The credit risk associated with making unsecured bank deposits will increase relative to the risk of other investment options.

3.2. Given the increasing risk and continued low returns from short-term unsecured bank investments, the Strategy enables the Council to diversify into more secure and/or higher yielding asset classes during 2015/2016. Diversification is of increasing importance in the context of the Council's reserves and balances reducing as they are called on to support the Council's organisational change programme. With diminishing reserves, the impact of a single counterparty default would be greater. This diversification represents a substantial change in strategy over the coming year.

3.3. The current minimum credit rating for investments (long-term A) will remain in place unless the credit rating agencies downgrade the ratings of major UK banks in response to the bail-in provisions of the EU Bank Recovery and Resolution Directive. Credit rating agencies have stated they plan to review EU banks' ratings in line with each country's implementation of the directive. Many UK banks have standalone ratings in the "BBB" category, with uplifts for potential government support taking them into the "A" category. In Arlingclose's view there is therefore a realistic risk that some major UK banks' credit ratings will fall below A- this financial year if this uplift is removed.

3.4. Appendix C (page 22) of the Strategy sets out approved counterparty types and limits for 2015/2016. It should be noted that the presence of a counterparty type on the list does not necessarily mean that it will be used by the Council. A limit of £2m per counterparty will apply (lower than the £3m limit in 2014/2015), with the exception of investments with Government bodies (unlimited) and pooled funds, for example Money Market Funds, for which the individual limit will be £3m (currently £1m).

3.5. Section 9 of the Strategy sets out the policy for the separate management of General Fund and HRA borrowing. In order to follow CIPFA guidance, local housing authorities are required to establish a clear accounting policy for

determining how loans are to be allocated between the HRA and General Fund. As in 2014/2015, this Council will continue to adopt a 'two-pool' approach. It is also necessary to determine a policy for charging interest to the HRA in respect of any internal borrowing that it incurs from the General Fund and vice-versa. In such cases, the Strategy Statement specifies that the rate of interest applicable to a one-year maturity loan from the PWLB should apply.

- 3.6. Section 13 of the Strategy sets out the approach that the Council will take to the provision for repayment of debt. It confirms that where borrowing is undertaken to fund projects within the capital programme (for example the installation of PV panels on housing), provision will be made to repay that borrowing over the expected lifespan of the assets acquired.

Risk Management Implications

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

Financial Implications

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

Legal Implications

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

Sustainability Implications

7. I have not completed the Sustainability Implications Questionnaire as this Report is exempt from the requirement because it is a budget/financial monitoring report.

Equality Screening

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

Appendix

9. Appendix 1 – Treasury Management Strategy Statement and Investment Strategy 2015/2016 to 2017/2018.

Background Papers

10. Treasury Strategy Statement 2014/2015 <http://www.lewes.gov.uk/council/20987.asp>

Lewes District Council

Treasury Management Strategy Statement and Investment Strategy 2015/16 to 2017/18

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1. Executive Summary

- 1.1 Borrowing – the Council can borrow to finance capital expenditure in a similar way to an individual taking out a mortgage to buy a house. At 31 March 2015, total cumulative capital expenditure which will need to be funded amounts to £70.7 m. The actual long term-borrowing (the mortgage) that we have is only £56.7m because we are using the cash held in our reserves to make up the difference, rather than invest that money. (See Sections 6 and 7 for the details).
- 1.2 Debt rescheduling – The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall saving or reduction in risk. (See Section 8 for the details).
- 1.3 Accounting for debt – the Council will adopt a two-Pool approach in order to manage and account for the debt of the General Fund/Housing Revenue Account. (See Section 9 for the details).
- 1.4 Investing – at any given time, the Council has varying amounts of cash consisting of reserves and balances, as well as working capital, which must be held securely. The security of our investments is our highest priority. We have defined the types of investment that we will make and the criteria that those organisations with which we will deal must meet. (See Sections 10 and 11 for the details).
- 1.5 Providing for the repayment of debt – we will continue to make formal annual provisions to repay our long term borrowing, and will also build up a fund in the Housing Revenue Account Balance so that debt can be repaid if we choose to do so. (See Section 13 for the details).
- 1.6 Reporting – we will closely monitor our Treasury Management activity and make reports to every meeting of the Council’s Audit and Standards Committee and Cabinet. (See Section 14 for the details).

2. Treasury Management Defined

- 2.1 The Council defines its Treasury Management activities as:
“the management of the Council’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”
- 2.2 Treasury Management is not undertaken in isolation. The Council acknowledges that effective Treasury Management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in Treasury Management and ensuring that performance is monitored and reported. All Treasury Management activity takes place within the context of effective risk management.

3. Scope of the Treasury Management Strategy Statement

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

4. Approach to Risk

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

5. External Context

5.1 Economic Background

There is momentum in the UK economy, with a continued period of growth through domestically-driven activity and strong household consumption. There are signs that growth is becoming more balanced. The greater contribution from business investment should support continued, albeit slower, expansion of GDP. However, inflationary pressure is benign and is likely to remain low in the short term. There have been large falls in

unemployment but levels of part-time working, self-employment and underemployment are significant and nominal earnings growth remains weak and below inflation.

5.2 Credit Outlook

The transposition of two European Union (EU) directives into UK legislation will place the burden of rescuing failing EU banks disproportionately onto unsecured local authority investors. The Bank Recovery and Resolution Directive promotes the interests of individual and small businesses covered by the Financial Services Compensation Scheme and similar European schemes, while the recast Deposit Guarantee Schemes Directive includes large companies into these schemes. The combined effect of these two changes is to leave public authorities and financial organisations as the only senior creditors likely to incur losses in a failing bank after July 2015.

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

5.3 Outlook for Interest Rates

The detailed economic interest rate outlook provided by the Council's Treasury advisor, Arlingclose Ltd, is attached at Appendix A. In summary, Arlingclose forecasts the first rise in official interest rates in August 2015 and a gradual pace of increases thereafter, with the average for 2015/2016 being around 0.75%. However, if the negative indicators from the Eurozone become more entrenched, the Bank of England will likely defer rate rises to later in the year.

Arlingclose believes the normalised level of the Bank Rate post-crisis to range between 2.5% and 3.5%, and that the average 10 year PWLB loan rate for 2015/16 will rise to 3.40%.

5.4 Interest rates are of fundamental importance to the Council's Treasury Management operation. The ideal scenario would be to make short-duration investments if interest rates are low and are expected to rise and to invest for longer periods if interest rates are considered to be at their peak and are expected to fall. In terms of borrowing, it is preferable to borrow short-term when interest rates are high and expected to fall and to undertake long-term borrowing when interest rates are low and expected to rise.

5.5 The estimate for external interest payments in 2014/2015 is £1.73m, unchanged from 2014/2015, and for external interest receipts is £0.075m (2014/15 £0.050m).

5.6 The Council's need to borrow and its ability to invest are interrelated, as explained elsewhere in this Strategy Statement. The Council will reappraise its strategy in both of these areas from time to time and, if needs be, realign it with evolving market conditions and expectations for future interest rates. Any such changes will require the prior approval of Cabinet.

6. The Need to Borrow Long Term

- 6.1 Other than for temporary cash flow purposes, local authorities are only allowed to borrow to finance capital expenditure (eg the purchase of property, vehicles or equipment which will last for more than one year, or the improvement of such assets). The Government limits the amount borrowed by local authorities for housing purposes only by specifying 'debt caps'. This Council's underlying debt cap has been fixed at £72.931m. In 2014/2015 local authorities were able to bid for an increase in its housing debt cap in order to enable specific projects. A bid from this Council was successful and, should new build schemes for 30 properties across 7 sites proceed, this Council's debt cap will increase to £75.248m.
- 6.2 In accounting terms, the underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. In recent years, the Council's strategy has been to maintain borrowing and investments below their underlying levels, known as internal borrowing, and this remains the Strategy for 2015/16.
- 6.3 The CFR is, in simple terms, the amount of capital expenditure which has been incurred by the Council but which has not yet been paid for (by using, for example, grants, capital receipts, reserves or revenue income) and in the meantime is covered by internal or external borrowing. External borrowing is where loans are raised from the Public Works Loans Board (PWLB) or banks. Alternatively it is possible to use the significant levels of cash which has been set aside in Balances and Reserves and which would otherwise need to be invested with banks or other borrowers as a means to avoid taking on external loans.
- 6.4 The CFR is calculated each year in accordance with a statutory formula. As noted above, the level of CFR increases each year by the amount of capital expenditure which is yet to be financed and is reduced by the amount that the Council sets aside for the repayment of borrowing. This is illustrated in the table below. Amounts from 2015/2016 onwards are indicative. Projected capital expenditure in 2015/2016 with a financing requirement includes projects for the construction of 30 new affordable homes (£3.8m), installing PV panels on council-owned homes (£2.7m) and implementing new technology (£1.3m).

	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m
Opening CFR	71.031	71.448	70.709	74.034	72.242
Capital exp in year	10.504	16.594	15.666	8.140	6.891
Less financed	-8.727	-15.472	-10.464	-7.955	-6.706
Less amount set aside for debt repayment	-1.360	-1.861	-1.877	-1.977	-1.966
Closing CFR	71.448	70.709	74.034	72.242	70.461

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

	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m
General Fund CFR	4.652	5.919	8.421	8.123	7.837
HRA CFR	66.796	64.790	65.613	64.119	62.624
Total CFR	71.448	70.709	74.034	72.242	70.461

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

	31/3/14 £m	31/3/15 £m	31/3/16 £m	31/3/17 £m	31/3/18 £m
(a) Capital Financing Requirement	71.448	70.709	74.034	72.242	70.461
(b) Actual external borrowing	-56.673	-56.673	-56.673	-56.673	-56.673
(c) Use of Balances, Reserves and working capital as alternative to borrowing (a)–(b)	14.775	14.036	17.361	15.569	13.788
(d) Total Balances and Reserves	16.507	12.758	10.552	10.417	10.417
(e) Working capital	3.269	5.730	10.307	10.284	11.549
(f) Amount used as an alternative to borrowing (c) above	-14.775	-14.036	-17.361	-15.569	-13.788
(g) Total investments (d)+(e)+(f)	5.001	4.452	3.498	5.132	8.178

- 6.7 The table above (line b) assumes that the current external loan portfolio is unchanged across the period. There is an opportunity to repay a £5m variable rate loan to the PWLB in March 2015, utilising cash balances that would otherwise be invested. A final decision will be taken closer to the time, to take into account updated projections of working capital and reserves and balances.
- 6.8 Line g in the table above indicates that it will be possible to continue the current approach of internal borrowing as an alternative to raising new external loans, which remain at their current level across the period (line b). However, it will be necessary to monitor the position closely. Market conditions, interest rate expectations and counterparty and credit risk considerations will influence the Council's strategy in determining the borrowing and investment activity against the underlying Balance Sheet position. The following section explains the approach to borrowing in more depth.

7. Borrowing Strategy

- 7.1 As noted above, the Council's underlying need to borrow for capital purposes is measured by reference to its CFR. In respect of General Fund activities, local authorities are required to make a Minimum Revenue Provision for Debt Redemption (MRP) from within the Revenue budget each year in order to ensure that the underlying need to borrow is ultimately eliminated. There is no requirement to make a provision to reduce HRA borrowing, although it is prudent to do so.

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- 7.2 Capital expenditure not paid for from internal resources (i.e. Capital Receipts, Capital Grants and Contributions, Revenue or Reserves) will produce an increase in the CFR (the underlying need to borrow) and in turn produce an increased requirement to charge MRP in the Revenue Account.
- 7.3 In accordance with the Prudential Code, the Council will ensure that net external borrowing does not, except in the short term, exceed its highest CFR over the next three years.

The cumulative estimate of the Council's long-term borrowing requirement in respect of historic and planned capital expenditure is shown in the table below. Increases in 2015/2016 resulting from the projects listed in paragraph 6.4 above are offset over the period though to 2017/2018 by provision being made by the HRA for the repayment of debt. The table excludes £5.7m of potential borrowing for housing projects (at 31 March 2015), permissible up to the level of the Council's underlying Housing Debt Cap.

	31/03/2015 Estimate £m	31/03/2016 Estimate £m	31/03/2017 Estimate £m	31/03/2018 Estimate £m
Capital Financing Requirement	70.7	74.0	72.2	70.5
Less: Profile of current Borrowing	-56.7	-56.7	-56.7	-56.7
Cumulative Maximum External Borrowing Requirement	14.0	17.3	15.5	13.8

- 7.4 The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.
- 7.5 Given the projected reduction in revenue funding from the Government through to 2019/2020 and the Council's General Fund savings target of £2.7m over that period, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio, With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead. By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. For example, the current rates (January 2015) available to the Council (which include a 0.2% reduction under the local authority 'certainty rate' system introduced in November 2012) for 2-year and 5-year PWLB maturity loans are 1.39% and 1.78% respectively compared with 0.25% which can be earned on a temporary deposit with the Government.
- 7.6 The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. At some stage the level of General Fund Reserves and Balances will become depleted

(as they are used for the purpose for which the funds were set aside) restricting the ability to borrow internally. The Council's appointed Treasury advisor, Arlingclose, will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2015/2016 with a view to keeping future interest costs low, even if this causes additional cost in the short-term. Any decision to borrow will be confirmed with the Cabinet Member for Corporate Services and reported to the next meeting of the Cabinet.

- 7.7 The Council may borrow short-term loans (normally up to one month) to cover unexpected cash flow shortages should they arise.
- 7.8 The approved sources of new long-term and short-term borrowing will be:
- Public Works Loans Board (and its successor body)
 - UK Local Authorities
 - any bank or building society approved for investments (see Section 11) below.
 - LGA Bond Agency

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

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

8. Debt Rescheduling

- 8.1 At the time of preparing this Strategy, the Council's loan portfolio was as shown in the table overleaf. All of the PWLB loans listed below were taken out in March 2012 in order to finance the payment to the Government needed for the national transition to self-financing for local authority housing. The Lender's Options Borrower's Option (LOBO) loan shown in the table above was taken out in April 2004 at the rate of 4.5% with a term of 50 years. Every 4 years, the Lender has the option to increase the interest rate, and if it does so, the Council has the right to repay. The next date when the rate/terms of the loan will be reviewed is April 2016.

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

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

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

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

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

10. The Need to Invest

- 10.1 As shown in the table in paragraph 6.6 the Council currently holds healthy Reserves and Balances (£12.8m projected at 31 March 2015 excluding s106 Developer Contributions and Capital Receipts which will be used to fund the Capital Programme over the next three years). In simple terms, Reserves represent amounts of money which have been set aside for use in future years for specific purposes (eg to pay for the replacement of vehicles at the end of their useful life) and Balances are cash which is retained both to ensure that the Council is able to respond effectively if an unforeseen event arises (eg the failure of a major contractor) and also to act as a buffer against unpredicted cash flow movements. Reserves and Balances are forecast to reduce over the next three years as they are called upon to support projects, services and the Council's deficit reduction programme.
- 10.2 Although a proportion of the Reserves and Balances are being used as an alternative to external long-term borrowing, this still leaves cash to be retained. In addition, the Council's cash flow movements fluctuate on a day to day basis, with cash received exceeding cash paid out at key points over the year. For example, at the start of 2014/2015 £11m was available for investment but the maximum amount invested at any point in the year was £28m. The purpose of the Investment Strategy is to define the conditions under which this 'surplus' cash is to be managed, with the priority being security of the sums invested.
- 10.3 Guidance from DCLG on Local Government Investments in England requires authorities to set an Annual Investment Strategy. The speculative procedure of borrowing purely in order to invest is unlawful. However, taking on new external loans to reduce the level of internal borrowing is permissible, and, if this takes place, the Council will place importance on the flexibility of its loan portfolio as well as the liquidity of its investments.

11. Investment Strategy

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

highest priority - security of the invested capital;

followed by - liquidity of the invested capital (this enables the Council to react to changing circumstances)

finally - an optimum yield which is commensurate with security and liquidity.

- 11.2 Given the increasing risk and continued low returns from short-term unsecured bank investments, the Council aims to diversify into more

secure and/or higher yielding asset classes during 2015/2016 when it is appropriate to do so. This is especially the case for funds that are identified as being available for longer-term investment. This diversification will therefore represent a substantial change in strategy over the coming year.

- 11.3 The Council may invest its surplus funds with any of the counterparty types identified in Appendix C, subject to the cash limits (per counterparty) and the time limits shown. It is important to note that not all of the types of investment listed above will necessarily be used. Before any type of investment instrument is used for the first time (eg corporate bonds), specific Cabinet approval will be sought.
- 11.4 Investment decisions will be made by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used.
- 11.5 The Council and its advisors remain vigilant at all times, monitoring signs of credit or market distress that might adversely affect the Council.
- 11.6 Credit ratings are obtained and monitored by Arlingclose who will notify changes in ratings as they occur. Where a counterparty has its credit rating downgraded so that it fails to meet the approved investment criteria then:
- no new investments will be made
 - any existing investments that can be recalled or sold at no cost, will be recalled
 - full consideration will be given to the recall or sale of all other existing investments with the affected counterparty
- 11.7 Where a rating agency announces that a rating is on review for possible downgrade below the approved investment criteria, then only investments that can be withdrawn on the next working day will be made with that counterparty until the outcome of the review is announced. This approach will not apply to 'negative outlooks' which indicate a long-term direction of travel rather than an imminent change of rating.
- 11.8 The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.
- 11.9 At times of deteriorating financial market conditions affecting the credit worthiness of all organisations (as happened in 2008 and 2011), the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments.
- 11.10 Investments are categorised as 'Specified' or 'Non Specified' investments based on the criteria in the DCLG Guidance.

Specified investments are

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

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

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

Limits on non-specified investments are shown below.

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

- 11.12 The Council's revenue reserves available to cover investment losses are forecast to be £8m on 31st March 2015. The maximum that will be lent to any one organisation (other than the UK Government) will be £2m. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below:

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

- 11.13 The Director of Corporate Services will undertake the most appropriate form of investments in keeping with the investment objectives, income and risk management requirements and Prudential Indicators. Decisions taken

on the investment portfolio will be reported to meetings of the Audit and Standards Committee and Cabinet.

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

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

- 12.1 Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (eg interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (ie those that are not embedded into a loan or investment).
- 12.2 The CIPFA Code requires authorities to clearly detail their policy on the use of derivatives in the annual strategy. The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.
- 12.3 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

13. Providing for Debt Repayment - 2015/16 Minimum Revenue Provision Statement

- 13.1 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414) place a duty on local authorities to make a prudent provision for debt redemption. Guidance on this MRP has been issued by the Secretary of State and local authorities are required to “have regard” to such Guidance under section 21(1A) of the Local Government Act 2003.
- 13.2 The four MRP options available are:
- | | |
|-----------------------------|-------------------------------|
| Option 1: Regulatory Method | Option 2: CFR Method |
| Option 3: Asset Life Method | Option 4: Depreciation Method |
- 13.3 Options 1 and 2 may be used only for supported non-HRA capital expenditure (ie where the Government supports the cost of financing new borrowing through a recurring grant). Methods of making prudent provision for self financed non-HRA capital expenditure include Options 3 and 4 (which may also be used for supported expenditure if the Council chooses). There is no requirement to charge MRP in respect of HRA capital expenditure funded from borrowing.
- 13.4 The MRP Statement will be submitted to Council before the start of the financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement will be put to Council at that time.
- 13.5 The Council’s Policy for making a MRP will remain unchanged in 2015/2016 ie in respect of capital expenditure which is supported expenditure, Option 1 will apply – MRP will be equal to the amount determined in accordance with the former regulations 28 and 29 of the Local Authorities Capital Finance and Accounting (England) Regulations 2003 as if they had not been revoked. In the event that capital expenditure is incurred which is not Supported Capital Expenditure and is therefore self-financed, Option 3 will apply – MRP will be calculated according to the asset life method and will be made in equal instalments over the life of the asset.
- 13.6 The Housing Revenue Account 30-year Business Plan includes the principle that the long-term borrowing required on the move to self-financing will be repaid at the earliest opportunity. However, there is no requirement to do so and become ‘debt-free’. In order to maintain flexibility, resources will be set aside in the HRA balance for potential debt repayment, but formal Revenue Provisions (which cannot be reversed) will not be made other than to reduce internal borrowing from the General Fund.

14. Reporting on the Treasury Outturn

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

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

15. Training

- 15.1 The TM Code requires the Director of Corporate Services, as responsible officer, to ensure that all councillors tasked with Treasury Management responsibilities, including scrutiny of the Treasury Management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities. Arlingclose will be asked to continue the briefing programme for Councillors which has been running since 2009 (the most recent session was held in September 2014).
- 15.2 The training needs of the Council's Treasury Management staff will be reviewed as part of the annual corporate staff appraisal/training needs assessment process for all Council employees. The Council's contract with Arlingclose includes provision for staff to attend training seminars and workshops.

16. Investment Consultants

The Council has appointed Arlingclose as its financial advisers for the period 1 July 2012 to 30 June 2016. Arlingclose will be the Council's primary source of information, advice and assistance relating to investment activity. Individual investment decisions are made by the Council. Review meetings are held at least twice a year, at which the quality of the service received to date is discussed.

17. Publication

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

Appendix A - Arlingclose's Economic and Interest Rate Forecast

	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Dec-17	Mar-18
Official Bank Rate													
Upside risk		0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.50	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.50	1.75	1.75
Downside risk				0.25	0.25	0.50	0.50	0.75	0.75	1.00	1.00	1.00	1.00
3-month LIBID rate													
Upside risk	0.05	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.55	0.60	0.65	0.85	1.00	1.15	1.30	1.45	1.60	1.75	1.85	2.05	2.15
Downside risk	0.10	0.15	0.20	0.30	0.40	0.55	0.65	0.75	0.85	-0.95	-0.95	-0.95	-1.00
1-yr LIBID rate													
Upside risk	0.10	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.95	1.00	1.05	1.20	1.35	1.50	1.65	1.80	1.95	2.10	2.20	2.40	2.50
Downside risk	-0.30	-0.35	-0.40	-0.45	-0.50	-0.55	-0.60	-0.65	-0.70	-0.75	-0.80	-0.80	-0.80
5-yr gilt yield													
Upside risk	0.30	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55
Arlingclose Central Case	1.70	1.75	1.90	2.00	2.10	2.20	2.30	2.40	2.50	2.60	2.70	2.90	2.95
Downside risk	-0.30	-0.35	-0.35	-0.35	-0.40	-0.45	-0.50	-0.55	-0.60	-0.65	-0.70	-0.70	-0.70
10-yr gilt yield													
Upside risk	0.30	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55
Arlingclose Central Case	2.40	2.45	2.55	2.60	2.65	2.70	2.75	2.80	2.85	2.90	2.95	3.05	3.10
Downside risk	-0.30	-0.35	-0.35	-0.35	-0.40	-0.45	-0.50	-0.55	-0.55	-0.55	-0.60	-0.60	-0.60
20-yr gilt yield													
Upside risk	0.30	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55
Arlingclose Central Case	2.90	2.95	3.05	3.10	3.15	3.20	3.25	3.30	3.35	3.40	3.45	3.50	3.55
Downside risk	-0.30	-0.35	-0.35	-0.35	-0.40	-0.45	-0.50	-0.50	-0.55	-0.55	-0.60	-0.60	-0.60
50-yr gilt yield													
Upside risk	0.30	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55
Arlingclose Central Case	3.00	3.05	3.10	3.15	3.20	3.25	3.30	3.35	3.40	3.45	3.50	3.55	3.60
Downside risk	-0.30	-0.35	-0.35	-0.35	-0.40	-0.45	-0.50	-0.55	-0.55	-0.55	-0.60	-0.60	-0.60

Commentary:

Underlying assumptions:

- The UK economic recovery has continued. Household consumption remains a significant driver, but there are signs that growth is becoming more balanced. The greater contribution from business investment should support continued, albeit slower, expansion of GDP throughout this year.
- We expect consumption growth to slow, given softening housing market activity, the muted outlook for wage growth and slower employment growth. The subdued global environment suggests there is little prospect of significant contribution from external demand.
- Inflationary pressure is currently low and is likely to remain so in the short-term. Despite a correction in the appreciation of sterling against the US dollar, imported inflation remains limited. We expect commodity prices will remain subdued given the weak outlook for global growth.
- The MPC's focus is on both the degree of spare capacity in the economy and the rate at which this will be used up, factors prompting some debate on the Committee.
- Nominal earnings growth remains weak and below inflation, despite large falls in unemployment, which poses a dilemma for the MPC. Our view is that spare capacity remains extensive. The levels of part-time, self-

employment and underemployment are significant and indicate capacity within the employed workforce, in addition to the still large unemployed pool. Productivity growth can therefore remain weak in the short term without creating undue inflationary pressure.

- However, we also expect employment growth to slow as economic growth decelerates. This is likely to boost productivity, which will bear down on unit labour costs and inflationary pressure.
- In addition to the lack of wage and inflationary pressures, policymakers are evidently concerned about the bleak prospects for the Eurozone. These factors will maintain the dovish stance of the MPC in the medium term.
- The continuing repair of public and private sector balance sheets leave them sensitive to higher interest rates. The MPC clearly believes the appropriate level for Bank Rate for the post-crisis UK economy is significantly lower than the previous norm. We would suggest this is between 2.5 and 3.5%.
- While the ECB is likely to introduce outright QE, fears for the Eurozone are likely to maintain a safe haven bid for UK government debt, keeping gilt yields artificially low in the short term.
- The probability of potential upside risks crystallising have waned a little over the past two months. The primary upside risk is a swifter recovery in the Eurozone.

Forecast:

- Arlingclose continues to forecast the first rise in official interest rates in Q3 2015; general market sentiment is now close to this forecast. There is momentum in the economy, but inflationary pressure is benign and external risks have increased, reducing the likelihood of immediate monetary tightening.
- We project a slow rise in Bank Rate. The pace of interest rate rises will be gradual and the extent of rises limited; we believe the normalised level of Bank Rate post-crisis to range between 2.5% and 3.5%.
- The short run path for gilt yields is flatter due to the deteriorating Eurozone situation. We project gilt yields on an upward path in the medium term.

Appendix B – Prudential Indicators 2015/2016 to 2017/2018

1. Background:

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

2. Net Borrowing and the Capital Financing Requirement:

- 2.1 This is a key indicator of prudence. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the local authority should ensure that the net external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.
- 2.2 The Director of Finance reports that the Council has had no difficulty meeting this requirement in 2014/2015, nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the draft budget for 2015/2016.

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

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

No.	Capital Expenditure	2014/15 Original £m	2014/15 Revised £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m
1a	Non-HRA	2.063	10.714	6.319	2.610	1.361
1b	HRA	5.683	5.880	9.347	5.530	5.530
	Total	7.746	16.594	15.666	8.140	6.891

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

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

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

No.	Ratio of Financing Costs to Net Revenue Stream	2014/15 Original %	2014/15 Revised %	2015/16 Estimate %	2016/17 Estimate %	2017/18 Estimate %
2a	Non-HRA	0.95	0.95	0.95	1.58	1.50
2b	HRA	21.51	21.21	20.69	20.69	20.69

5. Capital Financing Requirement

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

No	Capital Financing Requirement	2014/15 Original £m	2014/15 Revised £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m
3a	Non-HRA	4.512	5.919	8.421	8.123	7.837
3b	HRA	65.779	64.790	65.613	64.119	62.624
	Total CFR	70.291	70.709	74.034	72.242	70.461

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

Capital Financing Requirement	2014/15 Original £m	2014/15 Revised £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m
Balance B/F	71.880	71.448	70.709	74.034	72.242
Capital expenditure financed from borrowing	0.273	1.122	5.202	0.185	0.185
Revenue provision for Debt Redemption.	-1.862	-1.861	-1.877	-1.977	-1.966
Balance C/F	70.291	70.709	74.034	72.242	70.461

6. Actual External Debt

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

No.	Actual External Debt as at 31/03/2015	£m
4a	Borrowing	56.673
4b	Other Long-term Liabilities	0.000
4c	Total	56.673

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

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

budget requirement arising from the proposed capital programme. The revenue budget requirement includes the use of Reserves.

No.	Incremental Impact of Capital Investment Decisions	2014/15 Original £	2014/15 Revised £	2015/16 Estimate £	2016/17 Estimate £	2017/18 Estimate £
5a	Increase in Band D Council Tax	38.30	99.19	84.39	53.60	17.90
5b	Increase in Average Weekly Housing Rents	8.31	4.10	5.93	5.59	5.59

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

8. Authorised Limit and Operational Boundary for External Debt

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

No.	Authorised Limit for External Debt	2014/15 Original £m	2014/15 Revised £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m
6a	Borrowing	72.00	72.00	76.00	76.00	76.00
6b	Other Long-term Liabilities	0.50	0.50	0.50	0.50	0.50
6c	Total	72.50	72.50	76.50	76.50	76.50

- 8.5 The **Operational Boundary** links directly to the Council's estimates of the CFR and estimates of other cashflow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.

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

No.	Operational Boundary for External Debt	2014/15 Original £m	2014/15 Revised £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m
7a	Borrowing	66.50	66.50	70.50	70.50	70.50
7b	Other Long-term Liabilities	0.50	0.50	0.50	0.50	0.50
7c	Total	67.00	67.00	71.00	71.00	71.00

9. Adoption of the CIPFA Treasury Management Code

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

No.	Adoption of the CIPFA Code of Practice in Treasury Management
8	The Council approved the adoption of the revised CIPFA Treasury Management Code in February 2010. The Council has incorporated the changes from the CIPFA Code of Practice and subsequent revisions into its treasury policies, procedures and practices.

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

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

No.		2014/15 Original £m	2014/15 Revised £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m
9	Upper Limit for Fixed Interest Rate Exposure	72.5	72.5	76.5	76.5	76.5
10	Upper Limit for Variable Interest Rate Exposure	(27.5)	(27.5)	(27.5)	(27.5)	(27.5)

- 10.3 The limits above provide the necessary flexibility within which decisions will be made for drawing down new loans on a fixed or variable rate basis; the decisions will ultimately be determined by expectations of anticipated interest rate movements as set out in the Council's Treasury Management Strategy.
- 10.4 Because the Council's investments are substantially in excess of its variable rate borrowing, the Upper Limit for Variable Interest Rate exposure is shown as a negative figure.

11. Maturity Structure of Fixed Rate borrowing

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

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

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

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

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

13. HRA Limit on Indebtedness

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

No	Capital Financing Requirement	2014/15 Original £m	2014/15 Revised £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m
13a	HRA CFR	65.779	64.790	65.613	64.119	62.624
13b	HRA Debt Cap	72.931	72.931	75.248	75.248	75.248
	Difference	7.152	8.141	9.635	11.129	12.624

Appendix C – Approved Investment Counterparties and Limits

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

Approved investments with institutions with credit ratings of A- or below will only be permissible in the event of rating agencies downgrading the ratings of major UK banks in response to the bail-in provisions of the EU Bank Recovery and Resolution Directive.

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

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

Banks Secured: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The

combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

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

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

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

Pooled Funds: Shares in diversified investment vehicles consisting of any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Money Market Funds that offer same-day liquidity and aim for a constant net asset value will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

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

Glossary of Terms

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

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

Agenda Item No: 10.2 **Report No:** 18/15
Report Title: General Fund Revenue Budget 2015/2016
Report To: Cabinet **Date:** 12 February 2015
Cabinet Member: Councillor Andy Smith
Ward(s) Affected: All
Report By: John Magness, Director of Finance
Contact Officer(s)-
Name(s): John Magness
Post Title(s): Director of Finance
E-mail(s): john.magness@lewes.gov.uk
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Purpose of Report:

To present the Medium Term Budget Outlook and the 2015/2016 General Fund Revenue Budget.

Officers Recommendation(s):

That Cabinet:

- 1 Reviews the detailed contributions to reserves and use of reserves as set out in Appendices D, F, G, H and I.
- 2 Considers the recommendations of the budget Scrutiny Committee.
- 3 Notes the Council Tax and Business Rates Collection Fund balances to be returned in 2015/2016.
- 4 Considers the implications of the public sector funding outlook and impact upon the Council's Medium Term Budget Outlook through to 2019/2020.
- 5 Considers the statutory report of the Director of Finance as required by section 25(1) of the Local Government Act 2003, set out in section 15.
- 6 Adopts an extension of the Transitional Business Rate Relief scheme for small and medium properties in line with the guidance published by the Department for Communities and Local Government in January 2015.
- 7 Approves setting aside a recurring £100,000 when the savings target for 2015/2016 is exceeded by that amount, in order to fund the costs of enhancing the joint working arrangement with Eastbourne Borough Council.
- 8 Considers the recommendations of the Independent Peer Review of Special Expenses.

- 9 Notes completion of the statutory Non Domestic Rates Return (NNDR1) with retained rating income of £25,066,082.
- 10 Delegates approval of NNDR1 returns to the Council's Chief Finance Officer in consultation with the Leader and the Constitution be updated to reflect this.

That Cabinet recommends to Council

- 11 An aggregate Council Tax requirement of £6,632,448 (a Council Tax reduction of 1.5% for the aggregate Lewes District Council "Council Tax Requirement), comprising
 - a. A General Expenses Council Tax requirement of £6,020,459 (a Council Tax freeze for Lewes District Council's General Expenses).
 - b. A Special Expenses Council Tax Requirement of £611,989.
- 12 That following publication of the Final 2015/2016 Local Government Finance Settlement the Director of Finance be authorised to make the necessary adjustments to maintain the general Expenses Council tax requirement at the above level and to report any adjustments to the next Cabinet meeting.

Reasons for Recommendations

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

1 National Background

- 1.1 Delivering the Deficit Reduction Plan remains a national priority.
- 1.2 On 3 December 2014, Chancellor of the Exchequer, George Osborne MP, gave his annual Autumn Statement to Parliament. Measures announced within it include the following:
 - Public Sector Expenditure: Public Sector Expenditure is set to fall at the same rate as between 2010/2011 and 2014/2015 until 2017/2018. It is then forecast to increase by inflation in 2018/2019 and 2019/2020.
 - The Government will carry out a review of the future structure of business rates. This will report by Budget 2016.
 - The current doubling of Small Business Rates Relief will continue in 2015/2016. It is expected that this measure should be revenue neutral for local authorities based on the current arrangements.
 - The 2% cap on the increase to the Business Rates Multiplier in 2014/2015 will also be applied in 2015/2016.

- The current £1,000 business rates discount to retailers (announced in Autumn Statement 2013), will continue in 2015/2016 and will increase to £1,500.
 - An extension of the business rates Transitional Relief scheme, the cost of which will be fully reimbursed to Councils.
- 1.3** The Government issued guidance for the extended Transitional Relief scheme on 14 January 2015 which can be found here:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/395131/TR_extension_guidance.pdf
- 1.4** The provisional Local Government Finance Settlement for 2015/2016 confirms that the central government core grant to run local services nationally will fall by 14%. The fall for shire districts nationally is 15% and that is the same as Lewes District Council's reduction.
- 1.5** This reduction excludes the availability of the New Homes Bonus Funding Stream which is reflected within each Council's overall "Spending Power" figures. The reduction is lower when New Homes Bonus is taken into account.
- 1.6** Many councils including Lewes District are rebalancing budgets to reflect the reduction in core funding. In order to rebalance their budgets many councils (not including Lewes District) are using their New Homes Bonus to support ongoing expenditure. More are expected to do so in future.
- 1.7** Details of the 2015/2016 Provisional Local Government Finance Settlement can be found here: <https://www.gov.uk/government/speeches/provisional-local-government-finance-settlement-2015-to-2016>

2 The context for preparation of the 2015/2016 General Fund Revenue Budget

- 2.1** Cabinet has set Financial Principles and Objectives in its Medium Term Financial Strategy. These are used as part of the framework to guide estimate preparation and compilation of the Medium Term Budget Outlook. They are reproduced at Appendix A.

3 Council Tax Referenda

- 3.1** The Localism Act 2011 introduced a requirement for referenda to approve or veto council tax increases that exceed limits set out by the Secretary of State (and approved by Parliament) in "principles" defined for the following financial year.
- 3.2** The Secretary of State has indicated that the threshold for 2015/2016 is 2% for principal authorities. This threshold is applied to changes in the aggregate of an authority's "General" and "Special" Expenses.
- 3.3** The referenda position is still under consideration for Town and Parish Councils and a decision will be made following consideration of responses to the Provisional Settlement. The Lead Cabinet Councillor has sent a written response to the Minister requesting that Town and Parish Councils be excluded from any referenda requirement (Appendix K).

- 3.4 Implications remain if just one preceptor exceeds the referendum limits, even though Lewes District Council will have a further year's freeze.
- 3.5 A neighbouring district council has estimated the cost of a council tax referendum to be in the order of £200,000 and re-billing at £100,000 (assuming an in-year re-billing is preferred to an adjustment on the following year's tax bill).

4 Council Tax Freeze

- 4.1 The Government is making available a further grant for councils which freeze council tax bills in England in 2015/2016. The grant is equivalent to a 1% increase in the 2014/2015 council tax and is payable for 2015/2016. The grant is expected to be included in the core funding baseline from the financial year 2016/2017. This would be consistent with the treatment of previous tax freeze grants.
- 4.2 For planning purposes, the Government has provisionally calculated the value of this Council's grant to be £75,459.
- 4.3 At its meeting on 20 November 2014 Cabinet agreed the Medium Term Financial Strategy (MTFS) which included a further year's council tax freeze in 2015/2016.

5 Lewes District Council's own council tax requirement for 2015/2016

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

$$\frac{\text{Aggregate Council Tax Requirement}}{\text{Band D taxbase}} = \text{Band D tax requirement}$$

- 5.2 The aggregate Band D requirement in the current year is £192.48. Keeping at this level or below triggers entitlement to a Council Tax freeze grant next year.
- 5.3 The aggregate Council Tax Requirement comprises two elements. The majority part is General Expenses. In the current year the General Expenses band D requirement is £172.11. The remainder is attributed to Special Expenses.
- 5.4 The Council gave a commitment that any savings arising in next year's budgets from the new grounds maintenance contract would be passed into the Special Expenses requirement. There has been a saving next year as Appendix L shows.
- 5.5 The Council's commitment means that next year (2015/2016) the General Expenses Band D tax will remain at £172.11 and the Special Expenses element will reduce. The aggregate for next year of £189.61 is a 1.5% reduction against the aggregate of £192.48 in the current year. Appendix E shows the modelled council tax requirement for future years.
- 5.6 An Independent Peer Review of the Special Expense process has been completed and the report has been published on the Council's website. It can be found here: www.lewes.gov.uk/council/21887.asp The report concludes that the Council has complied with the council tax setting legislation. There are a number of recommendations for Cabinet to consider in the report.

6 The 2015/2016 General Fund Budget

6.1 The General Fund Budget Summary for next year is shown at Appendix B.

6.2 The following table analyses the high level movement in the budget from 2014/2015 to 2015/2016:

	2014/15 £	2015/16 £	Variation £
Change in Net Service Expenditure (Appx B line 9)			
1 Net service expenditure	13,111,100	12,726,800	-384,300
2 Less items funded from reserves	-1,033,700	-795,800	237,900
3 Recurring service expenditure	12,077,400	11,931,000	-146,400
4 Recurring savings target	-511,000	-561,000	-50,000
5 Provision for mid-year delivery of savings	255,000	280,000	25,000
6 Sub-total	11,821,400	11,650,000	-171,400
7 Other operating income & expenditure			
8 Town and Parish reduction grant	278,300	236,600	-41,700
9 Financing costs /investment income and expenditure	-758,300	-829,500	-71,200
10 Net expenditure before contribution to Reserves	11,341,400	11,057,100	-284,300
11 Contribution to Service Priorities	390,000	241,200	-148,800
12 Transfers to reserves	2,414,030	2,466,000	51,970
13 Net expenditure requirement	14,145,430	13,764,300	-381,130
Change in taxation and grant income			
14 Retained business rates	-2,444,930	-3,006,858	-561,928
15 Government grants	-4,213,100	-3,662,389	550,711
16 Council tax income	-6,738,390	-6,697,498	40,892
17 Total taxation and grant income	-13,396,420	-13,366,745	29,675
18 Net use of working balance	749,010	397,555	-351,455

- (a) The movement in recurring service expenditure at line 3 reflects the impact of the Council's deficit reduction programme, inflation, variations in income and changes in demand for services. A statement showing the major variations is given at Appendix C.
- (b) A balanced budget for next year requires a total savings target of £611,000 and a contribution from the working balance of £397,555. The savings target has been increased by £61,000 to reflect the shortfall in fees and charges income. £50,000 will be achieved by 1 April and this has been incorporated in the 2015/2016 estimates. The residual savings target for 2015/2016 is £561,000 (line 4). This is explained in more detail in section 7.4 of this report. A provision has been included in the budget (line 5) in recognition of the fact that the savings will be delivered progressively through the year.

- (c) At its meeting in December 2013, Cabinet agreed a schedule of grant payments to Town and Parish Councils, passing on Government funding in respect of the Council Tax Reduction Scheme (line 8).
- (d) The net variation in financing costs and investment income and expenditure is the result of a number of factors including:
- £40,000 rental income received for The Maltings, Lewes, an investment property acquired during 2014/2015
 - increase in the net surplus from commercial rents, £25,000
 - presentational change in respect of investment properties, £43,000 net reduction
 - increased provision for repayment of borrowing, £44,000
- (e) A budget of £241,200 is available in 2015/2016 to support the implementation of service priorities (line 11). This budget can also be used to fund non-recurring items of either revenue or capital expenditure.
- (f) The details of contributions to and from reserves (lines 2 and 12) are shown in Appendix D. The overall contribution into reserves for 2015/2016 has risen primarily because of an increase in the amounts of New Homes Bonus grant offset by a reduction in LA Error Housing Benefit Subsidy grant. These grants are held in reserves pending use. Cabinet has previously approved the use of £2.25m of the 2015/2016 and 2016/2017 New Homes Bonus resources for investment in the next phase of the Council's Organisational Development Strategy.
- (g) Contributions to earmarked reserves are a key component of the annual budget process. These reserves are needed to support the sustainability of services. They are built up to meet specific identified future need (such as replacing refuse vehicles) and to help equalise expenditure that is recurring but over a longer time span than one year (eg elections every four years). A summary of all reserves is given in Appendix F. The Revenue Equalisation and Asset Maintenance Reserve (REAM) and the Change Management and Spending Power Reserve hold funds earmarked for specific purposes. These reserves are analysed at Appendix G and H. The Strategic Priority Fund is analysed at Appendix I.
- (h) Line 14 shows the income from Business Rates retained by the Council under the retention arrangements introduced by the Government from 1 April 2013. The amount shown is net of a tariff (£7.3m in 2015/2016) payable to the Government (because the Council's assumed business rates income exceeds its assumed spending needs baseline) and a levy (£0.8m in 2015/2016) in respect of growth in business rates income. All such levies are now payable into the East Sussex Business Rates Pool and redistributed back to pool members. Cabinet approved the basis of redistribution in September 2014.
- (i) Details of Government grants (line 15) are shown in Appendix B. Key movements are the reduction in Revenue Support Grant (£0.62m) and Housing Benefit Administration Grant (£0.04m) and an increase in New Homes Bonus (£0.20m) generated from 187 additional homes in the District.

- (j) Council tax income (line 16) generated from taxpayers when setting the council tax at the levels explained in section 5 reduces in total.

6.3 Pay and Price Assumptions

- (a) The 2015/2016 draft budget has been prepared in accordance with the following framework:

Base budget:

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

Employee budgets:

- (iii) An average provision of 2.2% has been made for movements in the pay bill in line with the recent national agreement.
- (iv) Provision has been made for annual contractual salary increments.
- (v) The Council's budgeted employer's pension contribution rate for 2015/2016, reflected in the cost of each service, is the same as that proposed by the actuary following the three-yearly review of the East Sussex Pension Fund finalised in December 2013. The following contributions are proposed by the actuary:

2015/2016 20.5% plus £97,000 (equates to 21.5% in total)

2016/2017 20.5% plus £151,700 (equates to 22.1% in total)

Inflation:

- (vi) No allowance for general price increases other than where these are unavoidable eg business rates
- (vii) Agreed cost indices in tendered contracts.
- (viii) Should average price inflation (excludes pay) exceed assumptions in the budget outlook by 1%, this would add around £100,000 to the budget savings target.
- (ix) Income from general fees and charges is largely related to usage and activity levels. The MTFS had assumed an inflationary increase of 1.9% for income. At that level, the target aggregate income for 2015/2016 would be £2.266m. However, the fees and charges recommended by Cabinet to Council are estimated to generate £2.205m in 2015/2016. The income component of next year's budget has fallen short by £0.061m in real terms and has resulted in the savings target increasing by the same amount.

7 Deficit Reduction Programme

- 7.1** The Government has clearly stated its position that the economy will grow throughout the period of the next Parliament and that public sector funding will continue to reduce.
- 7.2** The Autumn 2014 statement confirmed that further public sector funding reductions are to be expected. The national 2016 spending round will identify where the additional cuts will fall. None have been anticipated in the current MTFS.
- 7.3** The Council's MTFS through to 2019/2020 already reflects a widely held expectation that core funding from Revenue Support Grant will be extinguished by the end of that period.

The Council's Savings Plan

- 7.4** Appendix J shows the savings plan through to 2020. The target for the current year has now been achieved, mainly through the Voluntary Severance scheme. If the coming year's savings are not in place by the start of each financial year the strain will be taken up by an additional budget that recognises savings will be delivered on average by the mid-point of the year. This budget is shown in Appendix E.
- 7.5** The savings for 2015/2016 will mainly derive from the Organisational Development programme and from introduction of a 2% vacancy savings target. The gross savings for the year are likely to deliver a recurring saving of £400,000. £100,000 of this will be retained to ensure adequate provision to cover forthcoming changes in the back office service arrangements and to enhance the joint working initiative with Eastbourne Borough Council which will deliver further savings in future years.

8 Medium Term Budget Outlook

- 8.1** The Medium Term Budget Outlook is shown at Appendix E together with a detailed commentary. It builds upon the estimate for 2015/2016 and sets out the stated assumptions.
- 8.2** 2015/2016 delivers a tax freeze for the General Expenses. There is a 14.1% reduction in the average Special Expenses Band D tax requirement. The combined General and Special Expenses reduce by 1.5%.
- 8.3** The average Band D Special Expenses is reduced because three sites have been removed (£53,999) from the base as they are due to be devolved prior to the start of the next financial year. There is also a reduction arising from the retendering of the grounds maintenance contract.
- 8.4** Council tax levels for 2016/2017 onwards have been modelled at 2% (the underlying long term rate of CPI). In line with the objectives in the Budget Outlook delivers a sustainable recurring base budget by 31 March 2020, with no call on the Working Balance, and with no reliance upon Revenue Support Grant. The five year savings target from 2015/2016 to 2019/2020 amounts to £2.665m.
- 8.5** The downside risk of this strategy is considerable. In the event that savings fail to materialise it would be necessary to fully utilise the New Homes Bonus spending power and even then a substantial budget gap would remain. The Council's reserves and balances would be under great pressure and the shape of the Council's service provision would be biased more towards statutory services.

8.6 A number of underlying risks need to be constantly monitored:

- (a)** Retained business rates: There is likely to be a loss of retained rate income associated with regeneration projects in Lewes and Newhaven. This will be partly balanced by newly created non domestic premises and additional New Homes Bonus spending power where non domestic premises are replaced with domestic dwellings. In such cases there may be a need to use the additional New Homes Bonus spending power to cover any loss in retained business rates.
- (b)** General income levels: The review of fees and charges for next year highlighted that the estimate of aggregate receipts has not kept pace with CPI. This resulted in a higher savings target (an extra £61,000) to cover the shortfall.
- (c)** Receipts from recyclable material sales are vulnerable as world commodity prices fall and as households exercise greater control over their budgets. This can lead to lower tonnage volumes and lower income receipts.

8.7 Throughout the coming year Cabinet will receive updated Medium Term Budget Outlooks which incorporate any significant variations arising from internal monthly budget monitoring, projections to the year end, national policy changes and Cabinet decisions.

9 Interaction of the Revenue and Capital Accounts and the Council's unallocated reserves and balances

9.1 The Prudential Code requires local authorities to plan their capital expenditure programme for at least three years ahead. This corresponds with the time scale covered by the Council's Capital Strategy. Understandably, the most detailed information is available for Year 1, with the programme for years 2 and 3 liable to variation when more precise forecasting can be undertaken in terms of both the availability of capital resources and spending requirements.

9.2 Revenue contributions to capital can be made either by the provision of a non-recurring contribution in the Revenue budget when circumstances permit or by annual recurring contributions if further savings can be generated within the revenue budget. Alternatively, contributions can be made from unallocated reserves and balances, or by using balances on reserves which are no longer required.

9.3 The Capital Programme report demonstrates that a programme focussed on statutory requirements and core service needs and priority Council projects can be achieved for the next 3 years.

10 Conclusion

10.1 In light of the above commentary it is essential that Cabinet carefully controls the recurring base budget.

10.2 The Working Balance can be used as a short term measure to manage the pressures arising from lower income, rises in demand for statutory services and the time needed to deliver savings. It needs to be used with great care because it can only be used once. The solution is to realign the recurring base budget within the time frame of the Medium Term Budget Outlook at Appendix E.

- 10.3** The Council's earmarked reserves could be reassigned to balance a future budget in exceptional circumstances, but again this is not a sustainable solution.
- 10.4** Current and medium term pressures require the recurring base budget to be significantly reduced. Unless there is a compelling business case that helps achieve the base budget restructuring any calls for additional recurring resources need to be carefully considered and resisted until the desired savings target is delivered.
- 10.5** There is capacity within the budget to meet time limited initiatives of a non-recurring nature, either from specific earmarked reserves, the Working Balance, or the contribution to the capital programme/service priorities shown in Appendix E.
- 10.6** The Council needs to be reassured that the aggregate of reserves and the working balance is sufficient to meet the medium term finance strategy principles and objectives.

11 Usable Reserves Estimate

- 11.1** Section 25 of the Local Government Act 2003 contains the statutory duty on the Chief Finance Officer to report to the authority on the robustness of the estimates it makes when setting the Council Tax and on the adequacy of its proposed financial reserves.
- 11.2** The Chartered Institute of Public Finance and Accountancy issued updated guidance in July 2014 (The Local Authority Advisory Panel Bulletin no. 99) in relation to reserves and balances. This has been taken into account in this report.
- 11.3** The Council's reserves and balances need to cover all significant identified risks and operational service needs. As part of the annual budget and closing of accounts processes, the Council reviews and approves the position on its reserves. This is a mandatory requirement for all councils.
- 11.4** Where it is known in advance of a financial year that a reserve will be used, the expenditure is budgeted for and included in the draft budget and a contribution is made from that reserve. The Leader can authorise additional uses up to £100,000 during the year in accordance with the Council's Constitution and Council above that amount. The Director of Finance can authorise purchase of vehicles in the approved renewals fund programme up to one year ahead of requirement.
- 11.5** Savings can be achieved by reducing the annual level of contributions to reserves, but reserves are essential to ensure the financial sustainability of services. Making short term cuts to annual contributions is not a sustainable course of action but reviewing the level of contribution in parallel with service reviews and realignment exercises may enable reductions to be achieved. Reviews are made at least twice a year, during the budget cycle and as part of the accounts closure process.
- 11.6** The Scrutiny Committee reviewed the level of reserves at its meeting on 15 January 2015. No changes were proposed to Cabinet.
- 11.7** A statement of the Council's Reserves projected through to 31 March 2016 is shown at Appendix F.

- 11.8** The recently created Business Rates Equalisation Reserve will still be required to cater for timing differences between financial years. This happens when specific initiatives such as the doubling of small business rate relief result in the diversion of income from the statutory Business Rates Collection Fund to the General Fund.
- 11.9** In normal circumstances the estimated retained rates income used in the estimates would match that on the statutory NNDR1 form which has to be completed and returned to the Government by 31 January each year. The reality is that the data programs to populate this form have not been available until the end of January and this is too late in the estimates production cycle. We therefore use readily available data to prepare a pre estimate of the NNDR1 retained rates income for estimates production.
- 11.10 The Revenue Equalisation and Asset Maintenance Reserve (REAM)** helps even out budget increases that would otherwise result from cyclical expenditure. The estimated position of this reserve at 31 March 2016 is shown at Appendix G.
- 11.11 The Change Management and Spending Power Reserve** is necessary to support the Organisational Development programme. It is used to provide time limited funding for innovative solutions that will address the savings target. This includes £2.25m investment to deliver the next phase of Organisational Development that is anticipated to produce recurring savings of £1.2m by 2020. It is the repository for receipts from the New Homes Bonus funding stream and their use and also provides spending power for the Strategic Priority Fund and the Council's general needs. Appendix H sets out the position on this reserve and its two sub elements.
- 11.12 The Strategic Priority Fund** was established in 2013/2014 to support existing and developing projects that have the potential to develop permanent ongoing income or expenditure reductions for the Council. A statement of use is shown at Appendix I.

12 Collection Fund Balance

- 12.1** The Council Tax Collection Fund Balance and the Non Domestic Rates Collection Fund Balance are key components of the Council Tax setting process. A principle of the MTFs is to achieve a zero balance (or as close as possible) each year. A review of the likely Collection Fund position is made at 31 March 2015 including a review of the provision for doubtful debts.
- 12.2** There is an estimated credit balance of £403,010 on the Council Tax Collection Fund which can be utilised during the 2015/2016 budget setting process. The surplus would be redistributed to preceptors as follows:

Council Tax Collection Fund	£
East Sussex County Council	283,960
Lewes District Council	65,050
Sussex Police and Crime Commissioner	33,930
East Sussex Fire and Rescue	20,070
Total	403,010

- 12.3** The statutory Non Domestic Rating Return (NNDR1) was submitted before the deadline of 31 January. The retained rates income for 2015/2016 has been estimated at £25,066,082 and a zero balance is estimated on the Non Domestic Rates Collection Fund at 31 March 2015.

12.4 The NNDR1 is not available until January each year and it must be returned certified by the Chief Finance officer before 31 January. The retained rates income estimate would normally be approved by Cabinet but the meetings cycle does not readily facilitate this. This being the case, Cabinet is requested to delegate completion and return of future NNDR1 returns to the Council's Chief Finance Officer in consultation with the Leader. If approved the Constitution will be updated to reflect this.

13 General Fund Working Balance

13.1 The Council uses a risk-based approach to setting the level of General Fund Working Balance. This requires consideration of service risks as well as providing for the Council's day to day cash flow requirements.

13.2 As a guideline the Council has aimed for a minimum overall level of Working Balance of £500,000 but this needs to reflect the economic climate and the extent to which earmarked service reserves exist. In recent years the Council has sought to extend the service sustainability concept into the management of its finances. Part of this approach has been to establish earmarked service reserves.

13.3 Using this approach and taking into account the extent to which the balance will be used over the next two years to rebalance the budget I would recommend the following components are provided for:

Basic provision to cover	£
Unforeseen emergencies not covered by the Bellwin Scheme, a 5% capital programme overrun and general requirements	500,000
General provision for service risks	50,000
Working balance needed to support the realignment process through to 2019/2020	532,555
Provision for delivery delays in the deficit reduction programme	459,795
Provision for contingencies to be used in accordance with Financial Procedure Rules	50,000
Total Estimated Working Balance at 1 April 2015	1,592,350

13.4 I would recommend that the level of working balance set out above be approved. This level of Working Balance together with reserves will provide a sufficient buffer to support delivery of the Council's core services and key priorities through to 2020 and provide resilience during the current economic climate. This balance is reflected Appendix E.

Achieving a reduction in Council Tax by use of balances alone is not sustainable. The proposal in the Medium Term Budget Outlook is achievable and sustainable for the period 1 April 2015 through to 31 March 2020 provided that the savings targets are achieved.

14 Setting the Council Tax including the other preceptors

14.1 The calculation of the overall tax requirement will be presented to Council on 25 February 2015, when all precept details will be known. The precept details for East Sussex County Council, East Sussex Fire Authority and Sussex Police Authority should all be available before Council meets.

14.2 At the time of writing this report, not all Town and Parish Councils had notified the Council of their precept requirements.

14.3 Lewes District Council introduced Special Expenses for recreation grounds and open spaces from the 2014/2015 financial year. A schedule of next year's Special Expenses is attached at Appendix L.

15 Report of the Chief Finance Officer (Director of Finance)

15.1 The Chief Finance Officer is the Council's principal financial advisor and has statutory responsibilities in relation to the administration of the Council's financial affairs (Section 151 of the Local Government Act 1972 and Section 114 of the Local Government Finance Act 1988).

15.2 The budget proposals before Cabinet have been prepared in accordance with the Council's policy framework and reviewed by Corporate Directors, Heads of Service, Lead Councillors and the Scrutiny Committee.

15.3 The Council remains focussed on delivering its deficit reduction programme. A key income stream affecting the bottom line is that from the business rates retention scheme, introduced from April 2013. A reassessment has been undertaken to confirm the integrity of the Council's retained share of business rates income, in light of national policy decisions made in the Autumn 2014 budget statement. The income estimate has been validated and used to inform the Council's deficit reduction plan which runs through to 31 March 2020.

15.4 The recurring budget is undergoing significant realignment to bring it back into balance over the medium term. Each year's savings targets have been met and substantial progress has been made on delivering the coming year's target. It will become progressively harder to deliver targets in future years. The Council's track record demonstrates a commitment and ability to deliver the required savings. A savings plan has been formulated to indicate how the significant targets will be achieved through to 31 March 2020 and Cabinet has invested resources to ensure delivery of the significant targets.

15.5 Prudent use of reserves and balances is an appropriate short term measure to balance the budget whilst the realignment is secured (Appendix A: Principle 9 of the MTFS).

15.6 The General Fund Working Balance is finite and can only be used once. In the current climate it is less likely that the Working Balance will be replenished other than by savings from stringent budget management and earlier delivery of savings targets.

15.7 The underlying earmarked reserves will continue to be replenished from annual contributions in the base budget.

15.8 The earmarked reserves are not used to fund the recurring base budget or to fund initiatives that will add to the recurring base budget. There are just two posts funded from reserves in 2015/2016. One relates to neighbourhood planning where the initial grant was added to reserves and is now used to fund a time limited post. The other post is the Change Programme Manager funded from the Change Management and Spending Power Reserve.

15.9 The commentary within this report provides a framework for achieving a sustainable medium term budget position. The level of the Council's reserves, balances and provisions are adequate and prudent for the commitments within the Medium Term Financial Strategy.

15.10 In my opinion the estimates presented are robust for the purpose of determining the statutory calculations required by section 32 of the Local Government Finance Act 1992.

16 Legal Implications

16.1 The requirement for financial reserves is acknowledged in statute. Sections 32 and 43 of the Local Government Finance Act 1992 require local authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating their budget requirement.

16.2 Chief Financial Officers also have a duty to report on the robustness of estimates and adequacy of reserves under Section 25 of the Local Government Act 2003.

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

16.4 The implications of the extended Business Rates Transitional Relief Scheme for 2015/2016 and 2016/2017 are as follows:

As this is a measure for 2015/2016 and 2016/2017, the Government is not changing the legislation around transitional relief. Instead the Government will, in line with the eligibility criteria set out in this guidance, reimburse local authorities that use their discretionary relief powers, under section 47 of the Local Government Finance Act 1988, as amended, to grant relief.

It will be for individual local billing authorities to adopt a local scheme and decide in each individual case when to grant relief under section 47. Central Government will fully reimburse local authorities for the local share of the discretionary relief (using a grant under section 31 of the Local Government Act 2003). In view of the fact that such expenditure can be reimbursed, the Government expects local Government to grant discretionary relief to qualifying ratepayers.

17 Sustainability Implications

17.1 I have not completed the Sustainability Implications Questionnaire as this Report is exempt from the requirement because it is a strategic budget report.

18 Risk Management

18.1 I have completed a risk assessment in accordance with the Council's Risk Management methodology and the following risks and mitigating factors have been identified.

- (a)** Revenue Budgets – these have been compiled in accordance with the approved budget preparation guidelines, mitigating the risk that the budgets do not reflect likely expenditure needs or income levels. Cabinet will consider the estimates and recommend an overall budget to Council, having assessed the position in relation to its approved MTFS.

- (b) The Council has adequate Reserves and Balances established as a mechanism to support the Council through its deficit reduction programme and preparing for the future.
- (c) Further drops in income – the working balance and specific service reserves provide a buffer to absorb further falls in income and property related transactions in the short to medium term.
- (d) As inflation begins to rise there is every prospect that future pay settlements will follow a similar pattern. The Medium Term Budget Outlook anticipates inflation rates in line with national projections including pay and price movements through to 31 March 2020 and takes into account local circumstances.
- (e) With the drop in world commodity and oil prices there is the potential for a deflationary period. In the worst case this could lead to negative investment interest rates and to a drop in income receipts that are driven by CPI formulae. At the same time the Council would have a continuing obligation to meet its fixed term fixed interest rate borrowings. The mitigation is that the Office for Budget Responsibility will flag up the underlying soundness of the public sector finances in its periodic reviews and the Government will take appropriate action to deliver its financial strategy for the country. In order to help understand the impact on the Council's financial strategy of a deflationary period, modelling will be undertaken.
- (f) The Chancellor's Budget of December 2012 heralded cessation of the employer's National Insurance contracted out rebate from April 2017, where employers provide their own approved pension schemes. We estimate the additional cost to be around £170,000 pa, of which £51,000 relates to the Housing Revenue Account and £119,000 to the General Fund. We have included this cost in Appendix E. Technically this cost should be covered by the national new burdens funding protocol. We shall need to wait and see how the next spending review addresses this change. In the absence of funding to cover this cost, the mitigation is an addition to savings targets, raising council tax or a combination of the two.
- (g) The Revenue Support Grant income stream is used by the Government to exercise influence over local spending power allocations. Should Revenue Support Grant be extinguished by 31 March 2020 that avenue of influence would cease. A potential scenario is that existing specific grants will be transferred into the Revenue Support Grant funding stream during the next national Spending Review. This scenario could have an impact on the Council's ability to deliver a sustainable budget by 31 March 2020. The recently established Commission on Local Government Finance has also identified a scenario where funding streams could be merged. The Commission is due to issue its final report soon so that the next government can take account of its findings in the 2016/2017 and future years spending review.
- (h) There is a risk that delay in completion of the three sites intended for Devolution beyond 31 March 2015 could leave responsibility for expenditure with Lewes District Council, which would mean the costs would need to be covered by General Expenses rather than Special Expenses. The mitigation is that confirmation has been sought from the Town/Parish clerks that their Town/Parish Councils have included the running costs in their local precepts.

19 Equality Screening

- 19.1** The proposals in the report have been screened for impact on equalities. As no potential negative impacts were identified, a full equality impact assessment is not required.

20 Background Papers

- 20.1** Information on the Provisional Local Government Finance Settlement for 2015/2016 is available from this website:

<http://www.local.communities.gov.uk/finance/1415/settle.htm>

21 Appendices

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

Appendix B – The 2015/2016 General Fund Budget Summary.

Appendix C – Variations in recurring service expenditure 2014/2015 to 2015/2016.

Appendix D – Statement of Contributions to Reserves and Use for Revenue Expenditure.

Appendix E – Medium Term Budget Outlook 2015/2016 to 2019/2020 and commentary.

Appendix F – A Statement of the Council's Reserves and how they are used through to 31 March 2016.

Appendix G – Reserves Analysis - The REAM Reserve.

Appendix H – Reserves Analysis - The Change Management and Spending Power Reserve.

Appendix I – Reserves Analysis - The Strategic Priority Fund.

Appendix J – Savings Plan.

Appendix K – 2015/2016 provisional Local Government Finance Settlement. Consultation Response.

Appendix L – Special Expenses 2015/2016

Extract From the Medium Term Finance Strategy

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

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

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

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

2015/2016 General Fund Budget Summary

LINE NO.	LEWES DISTRICT COUNCIL GENERAL FUND SERVICES SUMMARY	2013/2014 ACTUAL £	2014/2015 BUDGET £	2015/2016 BUDGET £
	Service Expenditure Analysis			
1	- Central Services	1,007,191	1,243,200	1,357,200
2	- Cultural and Related Services	2,482,998	2,359,800	2,050,500
3a	- Environmental and Regulatory Services	4,229,689	4,509,800	4,194,500
3b	- Environmental and Regulatory Services - Environment Agency Levy	123,530	127,200	127,200
4	- Highways and Transport Services	(277,710)	(316,800)	(257,200)
5	- Housing General Fund Services	1,525,727	1,609,200	1,382,600
6a	- Planning Services	1,395,264	1,266,400	1,336,100
6b	- Supporting Business Growth	-	-	370,000
7	- Corporate and Democratic Core	2,660,015	2,147,200	2,031,500
8	- Non-Distributed Costs : general	122,481	165,100	134,400
9	Net Service Expenditure	13,269,185	13,111,100	12,726,800
10a	Use or Working balance assuming mid year delivery of savings (on average)	-	255,000	280,000
10b	- Non-Distributed Costs : Savings target	-	(511,000)	(561,000)
11	COST OF SERVICES	13,269,185	12,855,100	12,445,800
12	Other Operating Income and Expenditure - Town and Parish LCTS Grant	337,885	278,300	236,600
13	Financing and Investment Income and Expenditure	(904,664)	(758,300)	(829,500)
14	COST BEFORE TRANSFERS TO/(FROM) RESERVES	12,702,406	12,375,100	11,852,900
15a	Contribution to Service Priorities	-	390,000	241,200
15b	Transfers from Earmarked Reserves	(2,812,307)	(1,033,700)	(795,800)
15c	Transfers to Earmarked Reserves	4,212,536	2,414,030	2,466,000
16	NET EXPENDITURE REQUIREMENT	14,102,635	14,145,430	13,764,300
	TAXATION AND NON-SPECIFIC GRANT INCOME			
17	Retained Business Rates and Section 31 Grants	(2,480,002)	(2,444,930)	(2,806,858)
18	Contribution from the East Sussex Business Rates Pool for Economic Development initiatives	-	-	(200,000)
19	Government Grants			
19a	- Revenue Support Grant	(2,945,151)	(2,325,200)	(1,703,960)
19b	- Compensation for Business Rates Multiplier Cap	-	(21,200)	-
19c	- New Homes Bonus	(877,754)	(1,169,100)	(1,376,500)
19d	- New Homes Bonus returned funding	-	(6,900)	-
19e	- Council Tax Freeze Grant 2013/14	(75,459)	-	-
19f	- Council Tax Freeze Grant 2014/15	-	(76,100)	-
19g	- Council Tax Freeze Grant 2015/16	-	-	(75,459)
19h	- Housing Benefit Administration Subsidy	(592,976)	(521,800)	(484,800)
19i	- Council Tax Support New Burdens Funding	(58,000)	(76,400)	(21,670)
19j	- Community Right to Challenge	(8,551)	(8,500)	-
19k	- Community Right to Bid	(7,851)	(7,900)	-
19l	- Ad Hoc Grants	(25,247)	-	-
20	Council Tax Income			
20a	- Lewes District Council Precept on the Collection Fund - LDC after Collection Fund Surplus	(6,628,241)	(6,673,400)	(6,632,448)
20b	- Lewes District Council Collection Fund Surplus	(64,759)	(64,990)	(65,050)
21	TOTAL TAXATION & NON-SPECIFIC GRANT INCOME	(13,763,991)	(13,396,420)	(13,366,745)
22	TRANSFER (TO) / FROM WORKING BALANCE	338,644	749,010	397,555
23	Working Balance as at 1 April		2,415,600	1,592,350
24	Transfer (From) / To Working Balance		(749,010)	(397,555)
25	Working Balance as at 31 March		1,666,590	1,194,795
26	Taxbase		34,670.70	34,979.80
27	Band D Council Tax (line 20a/line26)		-192.48	-189.61

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Variations in recurring service expenditure 2014/2015 to 2015/2016

Line	Policy Area	£,000
1	2014/2015 Recurring Service Expenditure	12,077
2	2015/2016 Additional expenditure and reduced income:	
3	Pay and Price Changes	355
4	Supporting Business Growth from Business Rates Pool	200
5	Reduced income from Car Parks - Charges and Penalty Charge Notices	118
6	Reduced income from Recycling Credits and Sales	112
7	End of DCLG grant funding towards Food Waste collection	151
8	Reduced contribution from HRA towards reducing Corporate costs	74
9	Increased cost in postage	14
10	Miscellaneous Variations	28
11	Sub Total	1,052
12	2015/2016 Additional Income and reduced expenditure:	
13	One-off Flooding budgets in 2014/2015 removed	(60)
14	Increase in Planning Fees income	(40)
15	Reduction in Trade Refuse Disposal Charges	(40)
16	Increase in Land Charges Income	(20)
17	Increased income generated from miscellaneous Fees & Charges	(27)
18	Reduction in cost of Public Convenience Cleaning contract	(36)
19	Saving in cost of Fuel	(16)
20	Grounds Maintenance Contract cost reduction and related income	(123)
21	Net reduced budgets for Housing Benefit payments and Subsidy	(113)
22	Reduction in the cost of external contracts	(103)
23	Net direct saving on the Newhaven Enterprise Centre	(29)
24	Miscellaneous Variations	(21)
25	Reduction in employee costs following Voluntary Severance, etc	(470)
26	Sub Total	(1,098)
27	Savings targets in place at 1 April 2015:	
28	Gross reduction in the Wave Leisure Service Fee (before contribution to Reserve)	(100)
29	Sub Total	(100)
30	2015/2016 Recurring Service Expenditure	11,931

Appendix D

Statement of Contributions to Reserves and use for Revenue expenditure

	2014/2015 Estimate £	2014/2015 Movement £	2015/2016 Budget £
Revenue Equalisation And Asset Maintenance Reserve			
Hope Gap Steps Repair Fund - Interest	200	200	200
Property Condition Survey	10,000	10,000	10,000
Planning Appeals and Enquires	5,000	5,000	5,000
District Council Elections	35,000	35,000	35,000
Dog and Litter Bin Replacement and Maintenance	20,000	20,000	20,000
Asset Maintenance	160,000	160,000	160,000
Contribution Play Equipment Replacement	10,000	10,000	10,000
Car Parking Repairs - General	10,000	10,000	10,000
Car Parking Repairs - West Quay	2,000	2,000	2,000
Sub-total Contributions to the Reserve	252,200	252,200	252,200
D V - valuations for Final Accounts & IFRS work	(30,000)	(30,000)	(5,000)
Tree Survey		(24,089)	
Dog and Litter Bin Replacement and Maintenance	(20,000)	(20,000)	(20,000)
STARK Software Leasing costs	(5,600)		
I T Initiatives		(154,796)	
District Council Elections			(93,800)
Lewes Road Recreation - outdoor Classroom		(10,000)	
Severe Weather Provision		(32,042)	
Members Allowance Advisory Panel		(3,000)	
Pells Pool Grant Contribution		(28,400)	
Planning Records Archiving		(86,216)	
Asset Maintenance		(9,875)	
Sub-total Use of the Reserve	(55,600)	(398,418)	(118,800)
Net movement on the Reserve	196,600	(146,218)	133,400
Housing Benefit Service Improvements Reserve - P47			
LHA Grant & LA error subsidy	176,100	105,000	105,000
Sub-total Contributions to the Reserve	176,100	105,000	105,000
Provision for Software for NNDR Model	(25,000)	(25,000)	(2,000)
Telehome payments system annual licence/maint.	(1,000)	(1,000)	(1,000)
Cost to install and ongoing licence for Bank Wizard	(2,500)	(2,500)	(2,500)
Additional Staff as per Salary Estimate	(29,900)		
Discretionary East Sussex Support Scheme			(11,800)
LCTS Discretionary Hardship Budget			(38,000)
Additional professional Training for Revenues staff	(1,000)	(1,000)	(1,000)
Sub-total Use of the Reserve	(59,400)	(29,500)	(56,300)
Net movement on the Reserve	116,700	75,500	48,700
Community Safety Partnership Fund - P14			
Contributions to the Reserve		21,976	
Use of Community Safety Partnership		(57,000)	
Sub-total Use of the Reserve		(57,000)	
Net movement on the Reserve		(35,024)	

	2014/2015 Estimate £	2014/2015 Movement £	2015/2016 Budget £
Insurance Reserve - P32			
General contribution	25,000	25,000	25,000
Monies received from ZMI towards Risk Management		2,260	2,300
Sub-total Contributions to the Reserve	25,000	27,260	27,300
Public Liability Compensation claims		(4,000)	
Sub-total Use of the Reserve	0	(4,000)	0
Net movement on the Reserve	25,000	23,260	27,300
Corporate Building Repairs - P13			
Sub-total Use of the Reserve	(50,000)	(50,000)	(46,000)
Annual Contribution to Reserve	50,000	50,000	46,000
Net movement on the Reserve	0	0	0
Leisure Building Repairs - P11			
Use of Reserve - Cemeteries	(10,000)	(10,000)	(10,000)
Use of Reserve - Parks	(45,000)	(45,000)	(45,000)
Use of Reserve - Car Parks	(12,000)	(12,000)	(12,000)
Sub-total Use of the Reserve	(67,000)	(67,000)	(67,000)
Annual Contribution to Reserve	50,000	50,000	50,000
Net movement on the Reserve	(17,000)	(17,000)	(17,000)
Building Control Charging Scheme - P30			
Annual Contribution to Reserve	20,600	20,600	46,800
Use of the Reserve			
Net movement on the Reserve	20,600	20,600	46,800
Vehicle Replacement Reserve - P40			
General Fleet	320,000	320,000	320,000
Sub-total Contributions to the Reserve	320,000	320,000	320,000
Use of the Reserve for revenue expenditure			
Net movement on the Reserve	320,000	320,000	320,000
Planning Delivery Grant Reserve - P41			
Contributions to the Reserve (Grant received in year)			
Use of the Reserve (various initiatives)			
Net movement on the Reserve			
Private Sector Leased/Homelessness Initiatives - P10			
Contributions to the Reserve	21,400	21,400	21,400
Contributions to the Reserve - Net surplus on 502 PSL	12,000	12,000	7,500
Total Contribution from Reserves	33,400	33,400	28,900
Use of the Reserve - PSL repairs	(1,000)	(10,000)	(5,000)
Sub-total Use of the Reserve	(1,000)	(10,000)	(5,000)
Net movement on the Reserve	32,400	23,400	23,900

	2014/2015 Estimate £	2014/2015 Movement £	2015/2016 Budget £
IT Equipment Reserve - P45			
Contributions to the Reserve			
Use of the Reserve for revenue expenditure			
Net movement on the Reserve			
Newhaven Fort Refurbishment Reserve P21			
Contributions to the Reserve			50,000
Net movement on the Reserve			50,000
Leisure Trust - P46			
Contributions to the Reserve	50,000	50,000	50,000
Net movement on the Reserve	50,000	50,000	50,000
WAVE Leisure Asset Maintenance Reserve - P48			
Contributions to the Reserve	80,000	80,000	80,000
Use of the Reserve for revenue expenditure	(100,000)	(100,000)	(100,000)
Net movement on the Reserve	(20,000)	(20,000)	(20,000)
Budget Carry Forward Reserve			
Use of the Reserve to fund items from previous year		(74,000)	
Net movement on the Reserve		(74,000)	
Clean & Green Reserve - P49			
Use of the Reserve for revenue expenditure	(4,700)	(4,700)	
Net movement on the Reserve	(4,700)	(4,700)	
<u>Change Management Reserve and Spending Power Reserve</u>			
<u>Change Management Element</u>			
New full time Project Accountant	(42,100)		
Office Manager	(24,440)	(24,400)	
Corporate Enabling and Initiatives	(35,000)	(35,000)	(35,000)
Customer Services Posts - Supervisor	(38,912)	(38,912)	
Customer Services Posts - Assistant	(23,669)	(23,669)	
Cover for Planning Development Managers Post	(65,991)		
Funding Posts in Parks & Cemeteries section	(7,600)	(7,660)	
Sub-total Use of the Reserve	(237,712)	(129,641)	(35,000)
Net movement on the Reserve	(237,712)	(129,641)	(35,000)

	2014/2015 Estimate £	2014/2015 Movement £	2015/2016 Budget £
<u>Spending Power Reserve - element</u>			
Neighbourhood Planning		20,000	
New Homes Bonus	1,176,000	1,176,000	1,376,500
	1,176,000	1,196,000	1,376,500
Public Events		(10,886)	
Funding towards the Newhaven UTC project		(50,000)	
Programme Manager - Transformation Program	(44,481)	(44,481)	(44,900)
Project Manager - 1 Year Feb 12 to Feb 13	(54,707)	(54,717)	
Corporate Performance Software (Pam/Covalent)	(36,000)	(24,120)	
Neighbourhood Planning	(35,000)	(35,000)	(32,800)
MRP funding for the Agile working change at Southover Hse	(75,400)	(75,400)	
Apprenticeship and Enterprise Project (LEAP)	(25,600)	(106,629)	(10,000)
Economic Regeneration Initiatives	(50,000)	(6,950)	
Sub-total Use of the Reserve	(321,188)	(408,183)	(87,700)
Net movement on the Reserve	854,812	658,176	1,288,800
<u>Newhaven Enterprise Centre Reserve - P55</u>			
Contributions to the Reserve	13,300	13,300	13,300
Net movement on the Reserve	13,300	13,300	13,300
<u>Leisure Trust All Weather Pitch Reserve - P56</u>			
Contributions to the Reserve	20,000	20,000	20,000
Net movement on the Reserve	20,000	20,000	20,000
<u>Strategic Priority Reserves</u>			
Contribution to Reserves	147,430	147,430	
	147,430	147,430	
Use of Reserve - Procurement Hub	(58,000)	(58,000)	(60,000)
Devolution		(50,000)	
Staff Development	(50,000)	(50,000)	
Business Engagement 2 Year Programme	(29,100)	(77,485)	
Use of the Reserve for revenue expenditure	(137,100)	(235,485)	(60,000)
Net movement on the Reserve	10,330	(88,055)	(60,000)
<u>Business Rates Equalisation Reserve</u>			
Local NDR discount scheme and Business Support			(170,000)
Economic Development Initiatives		(50,000)	(50,000)
Use of the Reserve for revenue expenditure		(50,000)	(220,000)
Net movement on the Reserve		(50,000)	(220,000)
<u>Summary Position of the Reserves</u>			
Total Contributions to reserves	2,414,030	2,387,166	2,466,000
Total use of Reserves for Revenue expenditure	(1,033,700)	(1,617,927)	(795,800)
Net Revenue Movement on the reserves	1,380,330	769,239	1,670,200

Financial Years		2015/16	2016/17	2017/18	2018/19	2019/20
1	Variables used in the calculations below					
2	Average change in price and incremental pay movements on the net recurring budget	3.00%	3.00%	3.00%	3.00%	3.00%
3	Special expenses contract indexation ceiling		2.50%	2.50%	2.50%	2.50%
4	RPI projections (from the HM Treasury Autumn 2014 Statement)	2.20%	2.90%	3.40%	3.40%	3.40%
5	CPI HM Treasury Projections	1.20%	1.70%	2.00%	2.00%	2.00%
6	District Tax Base	34,979.80	35,200.00	35,400.00	35,600.00	35,800.00
7	Recurring Expenditure / Income	2015/16 £	2016/17 £	2017/18 £	2018/19 £	2019/20 £
8	The Council's recurring service budget net requirement	13,210,899	12,782,500	12,450,975	12,154,504	11,834,139
9	Annual price inflation provision on the recurring service budget		383,475	373,529	364,635	355,024
10	Town and Parishes taxbase grant	236,600	-45,000	-45,000	-45,000	-45,000
11	National Insurance contracted out rebate ceases			119,000		
12	Devolved open spaces to Lewes Town Council and Ringmer Parish Council	-53,999				
13	National requirement for auto enrolment into pension schemes		?			
14	Savings achieved in advance of the financial year	-50,000				
15	Savings target	-561,000	-670,000	-744,000	-640,000	0
16	Total recurring spending levels	12,782,500	12,450,975	12,154,504	11,834,139	12,144,163
17	Annual recurring contribution to reserves	1,089,500	1,089,500	1,089,500	1,089,500	1,014,100
18	New Homes Bonus set aside in the service priority reserve	1,376,500	1,611,000	1,635,000	1,562,000	1,455,000
19	Fees and Charges income					
20	Fees and charges movements modelled at average CPI levels	-2,205,400	-2,242,892	-2,287,750	-2,333,505	-2,380,175
21	Non recurring Expenditure / Income					
22	Special 1.0% grant - Council Tax Freeze 2014/2015					
23	Special 1.0% grant - Council Tax Freeze 2015/2016	-75,459				
24	Economic Development: Supporting Business Growth	420,000	200,000	200,000	200,000	200,000
25	Use of Business Rate Equalisation reserve for a further contribution to the local discount scheme.	-220,000				
26	Housing Benefit Administration Grant	-484,800	-387,840	-329,664	-280,215	-238,183
27	Council tax support new burdens funding & community right to challenge and bid	-21,670				
28	Contribution to capital programme and supporting service priorities	241,200	109,100	54,100	288,600	
29	Budget to recognise that savings will on average be at the mid point of the year	280,000				
30	Total non recurring expenditure	139,271	-78,740	-75,564	208,385	-38,183
31	Total Net Expenditure (A)	13,182,371	12,829,843	12,515,690	12,360,519	12,194,905
32	Year on year percentage change in spending levels	-2.26%	-2.67%	-2.45%	-1.24%	-1.34%
33	Less Internal Finance: (B)					
34	Contribution to (-) and from the Working Balance	397,555	135,000	0	0	0
35	Total Internal Finance	397,555	135,000	0	0	0

Financial Years		2015/16	2016/17	2017/18	2018/19	2019/20
36	Net Budget Requirement (C) = (A-B)	12,784,816	12,694,843	12,515,690	12,360,519	12,194,905
37	Year on year percentage change in Net Budget Requirement	0.36%	-0.70%	-1.41%	-1.24%	-1.34%
38	(Less) Spending Power:					
39	Revenue Support Grant	1,703,960	1,191,000	713,000	350,000	0
40	New Homes Bonus	1,376,500	1,611,000	1,635,000	1,562,000	1,455,000
41	Local Share Business rates Baseline Funding increasing in line with RPI	2,035,666	2,094,700	2,165,920	2,239,561	2,315,706
42	Business Rates above local share, including Section 31 grants (but net of levy and East Sussex Pooling)	771,192	793,557	820,537	848,436	877,283
43	East Sussex Business Rates Pool - Economic Development Resource	200,000	200,000	200,000	200,000	200,000
44	Collection Fund Balance	65,050	0	0	0	0
45	Amount to be raised from Council Tax General Expenses	6,020,459	6,177,298	6,338,262	6,501,478	6,671,396
46	Amount to be raised from Council Tax Special Expenses	611,989	627,288	642,970	659,044	675,520
47	Total Spending Power	12,784,816	12,694,843	12,515,690	12,360,519	12,194,905
48	Lewes District Council's own aggregate band D tax (General and Special Expenses)	£189.61	£193.31	£197.21	£201.14	£205.22
49	Year on year rise (reduction) in the aggregate band D tax	-£2.87	£3.70	£3.90	£3.93	£4.08
50	Year on year percentage increase in council tax (referendum measure)	-1.5%	2.0%	2.0%	2.0%	2.0%
51	Lewes District Council's General Expenses band D tax	£172.11	£175.49	£179.05	£182.63	£186.35
52	Year on year rise (reduction) in the General Expenses band D tax	£0.00	£3.38	£3.56	£3.58	£3.72
53	Year on year percentage increase for General Expenses	0.0%	2.0%	2.0%	2.0%	2.0%
54	Difference between the aggregate band D tax and the general band D tax	£17.50	£17.82	£18.16	£18.51	£18.87
55	Year on year rise (reduction)	-£2.87	£0.32	£0.34	£0.35	£0.36
56	Year on year percentage increase (-decrease) for Special Expenses	-14.1%	1.8%	1.9%	1.9%	1.9%
57	General Fund Working Balance at start of year	1,592,350	1,194,795	1,059,795	1,059,795	1,059,795
58	Contribution (into) /from balances	397,555	135,000	0	0	0
59	End of year balance	1,194,795	1,059,795	1,059,795	1,059,795	1,059,795
60	Total savings targets in year from April 15 onwards	-611,000	-670,000	-744,000	-640,000	0
61	Total savings targets cumulative from April 2015 onwards	-611,000	-1,281,000	-2,025,000	-2,665,000	-2,665,000
62	Baseline External Funding (Revenue Support Grant plus Business Rates Baseline Funding)	£3,739,626	£3,285,700	£2,878,920	£2,589,561	£2,315,706
63	YoY reduction £ (from the previous financial year)	£583,674	£453,926	£406,780	£289,359	£273,855
64	YoY reduction % (from the previous financial year)	13.5%	12.1%	12.4%	10.1%	10.6%
65	Cumulative reduction from 2013/14 £ (first year of the Local Council Tax Support Scheme)	1,164,853	1,618,779	2,025,559	2,314,918	2,588,773
66	Cumulative reduction from 2013/14 % (first year of the Local Council Tax Support Scheme)	23.8%	33.0%	41.3%	47.2%	52.8%

Commentary to the Medium Term Budget Outlook

1 Background

- 1.1 The punishing pace of change continues unabated in next year's budget and the savings targets shown from 2016/2017 are expected to increase in severity after the General Election and publication of the 2016 Spending Review is completed. The public sector will continue to shrink through to the end of March 2020.
- 1.2 The Medium Term Financial Outlook is modelled on the assumption that Revenue Support Grant will completely cease by 31 March 2020. Next year it is £1.704m.
- 1.3 Spending pressures continue. Pay and Price inflation alone adds over £0.350m each year into the base recurring budget. This is £1.750m by 2020.
- 1.4 This will leave Council Tax receipts as the most significant source of income to the Council, followed by Retained Business Rates and then New Homes Bonus.

2 Line by Line Commentary on the Medium Term Budget Outlook

Line Nos:	Commentary on Appendix E
2	This is the average inflation rate we use to estimate annual inflation on the recurring spending levels at line 16. It covers both pay and price inflation. The inflation for the coming year only is already included within line 8.
3	The rate of inflation used to model Special Expenses is the contractual cap of 2.5%
4 & 5	The projected RPI and CPI increases have been amended in line with the latest national projections in the HM Treasury budget forecasts.
6	<p>The Council's band D tax base. Although each year beyond 2015/2016 increases by 200 band D equivalent properties, the actual number of properties is higher because many properties are in lower bands.</p> <p>The annual forecasts reflect the historical trend and are compiled with input from the Council's Development Control and Building Control professionals.</p> <p>No increase is built in for spikes that may arise from the Council's regeneration programme, above the normal trend of annual growth. We would take account of likely completions on a year by year basis when compiling the taxbase. This is the most prudent approach.</p>

8	<p>Is the underlying recurring base budget.</p> <p>Income from fees and charges has been excluded and shown elsewhere. Experience shows that overall income levels have not increased in line with the inflation allowance applied to each year's recurring base budget. Between 2014/2015 and 2015/2016 they fell short by £61,000 requiring the 2015/2016 savings target to be increased by a similar amount.</p> <p>The 2% vacancy savings target being introduced against the full establishment budget for 2015/2016 has been incorporated as part of next year's savings delivery plan rather than a base budget reduction. This is a more prudent approach.</p>
9	<p>We apply the inflation rate at line 2, to produce a realistic estimate of how the recurring base budget moves.</p>
10	<p>The grant provided to Billing Authorities for passing onto Town and Parish Councils has been reduced at the same rate as the national headline reduction in funding for Councils through to 2015/2016. From 2016 onwards an annual reduction of £45,000 has been modelled. In order to match the assumption that Revenue Support Grant will extinguish by 2020, this grant also needs to be phased out by that date. A further £56,600 would need to be removed.</p>
11	<p>The contracted out NI rebate for defined Benefit pension schemes ends in 2016. There will be an additional cost to the public sector. This will be addressed in the next national spending review. The planning assumption is no additional government support. All bodies admitted to the East Sussex County Council Pension Fund are affected. The estimated cost to the Council is £170,000 of which £119,000 will impact the General Fund and £51,000 the Housing Revenue Account.</p>
12	<p>This line shows the removal of contractual open spaces costs where sites are being devolved to Lewes Town Council and to Ringmer Parish Council. The costs are within line 8.</p>
13	<p>The national auto enrolment of employees into their employer pension schemes commenced in phases from 1 July 2012. There are less than 100 employees who have not opted into the Council scheme. We do not have the data on whether all have made private arrangements. If all employees opted into the scheme the additional employer's pension contribution cost would be in the order of £275,000. A detailed analysis would be needed to establish the impact between the General Fund and the Housing Revenue Account.</p>
14 & 29	<p>The objective is to deliver a given year's savings by the start of the financial year to which the target applies in order to avoid a draw on the Working Balance. We have adopted a prudent approach which assumes delivery mid-way through each year (rather than the start of the year). A working budget is provided that supports this approach.</p>

15	<p>Savings targets are phased to produce a sustainable budget with no use of the Working Balance and no reliance on Revenue Support Grant by 31 March 2020.</p> <p>The targets have been phased to reflect the lead in times for paybacks from investments to deliver greater efficiency and improved services.</p> <p>The targets from April 2016 onwards will need revision when the spending review 2016 is completed.</p> <p>Delivering savings from April 2016 will become progressively harder.</p> <p>The longstop position for the Council is that it has the option of using the New Homes Bonus income stream to offset savings targets. To date the main use of this income stream has been as an investment to deliver the efficiency gains in the savings plan.</p> <p>The Commission on Local Government Finance is due to produce its final report on areas that could be addressed in the Spending Review 2016 by the next Government. It has already identified the New Homes Bonus as a potential candidate for review in its interim report.</p>
16	The recurring base budget that moves up to line 8 in each following year.
17	The amount allocated to specific reserves that support service provision. The contributions to each reserve and the amounts to be used are all detailed in the Appendices to this report. We have modelled a reduction in the annual contributions from 2019/2020.
18 and 40	The New Homes Bonus grant forms part of the Council's Spending Power. To date the grant has been used to support expenditure that can help generate investment returns rather than to support the underlying recurring base budget
20	Fees and charges income has been incremented by CPI each year. We will closely monitor the actual position to see whether this transpires to be a realistic assumption.
21	This section sets out items within the budget that are treated as non-recurring and have no inflation uplift applied.
22	The 2014/2015 Council Tax Freeze grant now forms part of the 2015/2016 Revenue Support Grant at line 39.
23	The 2015/2016 Government Council Tax Freeze grant offer. It has been assumed that this grant will be protected within the Revenue Grant Settlement for 2016/2017 (line 39).

24, 25 & 43	<p>Membership of the East Sussex Business Rates Pool is estimated to provide a new annual resource of at least £200,000. The pooling prospectus requires the money to be used for economic development / business growth, which includes the Council's own discretionary business rate discount scheme. In 2015/2016 £170,000 reflects Cabinet's allocation (assigned from the Business Rates Equalisation Reserve) to support its own pilot local discount scheme of £300,000. £50,000 has also been allocated from the Business Rates Equalisation Reserve for Economic Development Initiatives.</p> <p>The annual contribution could potentially reach an upper limit of £375,000 based on Lewes' own estimated position. However the aggregate financial position of all Pool members will affect the final estimated and eventually actual allocations. Firm estimates are likely to be available late February/Early March.</p>
26	<p>This is a significant grant income stream for the Council and it has reduced steadily in recent years. It funds the cost of Housing Benefit Administration (Rent Allowances, Rent Rebates and Council Tax Reductions). 2016/2017 models a 20% reduction and each year beyond is reduced by 15%. This grant is likely to reduce further as Universal Credit is introduced.</p>
27	<p>The 2015/2016 amount is solely a one-off grant to help with the cost of setting up the new Local Council Tax Reduction scheme, for which a matching expenditure budget has been provided.</p>
28	<p>When the Council's financial position permits, a non recurring budget is provided to support service priorities. The allocation will be used in part to advance joint working with Eastbourne Borough Council and also to fund the cost of change as the Council implements its Organisational Development Programme.</p>
30	<p>This is the total of lines 22 to 29</p>
31	<p>This is the sum of lines 16, 17, 18, 20 and 30</p>
32	<p>This is the percentage change of movements between years in line 31</p>
34	<p>The Working Balance is used to support a smooth declining trajectory for its use and delivery of savings through to 31 March 2020. By that time and given the modelling assumptions, the budget will be sustainable without using the Working Balance to fund recurring expenditure and without the need for further savings. By 2020 the Working Balance remains healthy at just over £1m.</p>

36 & 37	Shows our net budget requirement and the percentage change year on year. The legal requirement to calculate a net budget requirement was replaced from April 2013 with the need to calculate a Council Tax Requirement. We have maintained a common presentation approach for consistency whilst also calculating a Council Tax Requirement for the Statutory Council Tax Resolution.
39	For the purpose of this model we have assumed the phasing out of Revenue Support Grant by 31 March 2020. The figures are tentative beyond April 2016 as they will be influenced by the yet to commence 2016 spending review and any changes in distribution methodology.
41	For 2015/2016 the Business Rates Baseline funding (local share) and the additional local share have increased in line with the 2% Autumn budget statement announcement. In future years they have been updated with the index at line 4.
42	The increase in next year's additional local share of business rates reflects the net rateable value currently in the rating list and the settlement of a significant number of appeals during the year. There will be new future developments associated with regeneration and there will also be demolitions and conversions of non domestic property to domestic property but we have not anticipated any of these.
44	This reflects the Council's share of any balance on the Collection Fund.
45 & 46	With the introduction of Special Expenses we now record separately the council tax requirement for General Expenses and the council tax requirement for Special Expenses. From 2016/2017: Line 45 is augmented each year so that the annual modelled increase at line 50 returns a 2% increase. Line 46 is augmented each year by the contact index rate shown at line 3.
47	Spending Power is the total of lines 39 to 46.
48 to 50	The Government monitors the aggregate band D tax for each local authority. The Council Tax referenda test limits are applied against this aggregate figure. Councils complete statutory return CTR1 with this information, once the tax has been set by Council.
51 to 53	This section reports on the Council's "General Expenses". Line 53 shows a tax freeze for 2015/2016. Future years are modelled at 2% each year (the long run CPI rate).

54 to 56	This is the difference between the aggregate Band D tax rate and the General Expenses tax rate. It shows a reduction for 2015/2016. The future year's percentage increase is less than the 2.5% indexation rate at line 3 because the calculation also takes into account changes in the district taxbase at line 6.
57 to 59	The Working Balance at April 2015 reflects the actual year end position from the 2013/2014 final accounts. Over the term of this Budget Outlook the Working Balance remains in a healthy position.
60 to 66	Facts and figures about the savings targets and changes in the level of base funding from the Government.

Key messages from the medium term outlook are:

- (a)** The Council needs to make savings of £2.665m over the next four years.
- (b)** The majority of next year's savings target of £611,000 has already been identified and is in the course of being delivered.
- (c)** The Council has already commenced a significant investment programme and process of organisational change that will deliver a pay back through efficiency savings from April 2016 to March 2020. In addition there are several further business opportunities that have the potential to deliver additional income streams and/or deliver cost reductions.
- (d)** The Council's financial position is healthy and remains in good shape to address the necessary deficit reduction plan in a measured way.

A Statement of Council Reserves and how they are used through to 31 March 2016

Ref	Reserve	Updated Budget 2014/2015					Budget 2015/2016					
		Balance at 1 April 2014	Contribution to reserve	Used for revenue	Used for capital	Total Use of reserve	Balance at 31 March 2015	Contribution to reserve	Used for revenue	Used for capital	Total Use of reserve	Balance at 31 March 2016
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	General Fund											
1	Budget Carry Forward	74	0	(74)	0	(74)	0	0	0	0	0	0
2	Building Control Charging Scheme	81	21	0	0	0	102	47	0	0	0	149
3	Change Management and Spending Power	2,396	1,196	(538)	(1,723)	(2,261)	1,331	1,377	(123)	(1,300)	(1,423)	1,285
4	Clean and Green Reserve	26	0	(5)	0	(5)	21	0	0	0	0	21
5	Corporate Building Repairs	190	50	(50)	0	(50)	190	46	(46)	0	(46)	190
6	Housing Benefit standards and improvements	864	105	(29)	0	(29)	940	105	(56)	0	(56)	989
7	Insurance	165	27	(4)	0	(4)	188	27	0	0	0	215
8	Leisure Buildings Repairs	100	50	(67)	0	(67)	83	50	(67)	0	(67)	66
9	Leisure Trust	258	50	0	(76)	(76)	232	50	0	0	0	282
10	All Weather Pitch Reserve	121	20	0	0	0	141	20	0	0	0	161
11	Leisure Trust Buildings Maintenance	198	80	(100)	0	(100)	178	80	(100)	0	(100)	158
12	Newhaven Enterprise Centre Reserve	71	13	0	0	0	84	13	0	0	0	97
13	Community Safety Partnership Fund	37	22	(57)	0	(57)	2	0	0	0	0	2
14	Housing and Planning Delivery Grant	41	0	0	0	0	41	0	0	0	0	41
15	Major Planning Applications Reserve	56	0	0	0	0	56	0	0	0	0	56
16	PSL/Homelessness Initiatives	28	34	(10)	0	(10)	52	29	(5)	0	(5)	76
17	Recycling Reserve	354	0	0	0	0	354	0	0	0	0	354
18	Revenue Equalisation and Asset Maintenance	2,006	252	(398)	(943)	(1,341)	917	252	(119)	(200)	(319)	850
19	Southover Grange Gardens	41	0	0	0	0	41	0	0	0	0	41
20	Vehicle Replacement Reserve	2,008	320	0	(422)	(422)	1,906	320	0	(1,334)	(1,334)	892
21	Strategic Priority Fund	390	147	(235)	(175)	(410)	127	0	(60)	0	(60)	67
22	Business Rate Equalisation	371	0	(50)	0	(50)	321	0	(220)	0	(220)	101
	<i>Partnership Projects</i>											
23	Denton Island Reclamation	75	0	0	0	0	75	0	0	0	0	75
24	Newhaven Fort Refurbishment	15	0	0	(15)	(15)	0	50	0	(50)	(50)	0
25	West Quay Development	48	0	0	0	0	48	0	0	0	0	48
26	General Fund Sub-total	10,014	2,387	(1,617)	(3,354)	(4,971)	7,430	2,466	(796)	(2,884)	(3,680)	6,216
	HRA											
27	Major Repairs Reserve	1,424	4,424	0	(5,121)	(5,121)	727	4,421	0	(4,525)	(4,525)	623
28	Total	11,438	6,811	(1,617)	(8,475)	(10,092)	8,157	6,887	(796)	(7,409)	(8,205)	6,839

NOTE: Table excludes Developer and other third party contributions held pending use [Page 86 of 240](#)

Reserves Analysis - REAM Reserve

Line nos.	Expenditure item:	Actual Balance 31 Mar 14	2014/2015 Contribution to Reserve	2014/2015 Approved Rev Use	2014/2015 Approved Cap Use	2014/2015 Approved Total use	Projected Balance 31 Mar 15	2015/2016 Original Contribution	2015/2016 Approved Rev Use	2015/2016 Approved Cap Use	2015/2016 Approved Total use	Projected Balance 31 Mar 16
		£	£	£	£	£	£	£	£	£	£	£
1	Private Sector Housing Needs Survey	65,000	0	0	0	0	65,000	0	0	0	0	65,000
2	Private Sector Housing Condition Survey	27,992	10,000	0	0	0	37,992	10,000	0	0	0	47,992
3	Residents Satisfaction Survey	17,379	0	0	0	0	17,379	0	0	0	0	17,379
4	LDF Examinations	57,326	0	0	0	0	57,326	0	0	0	0	57,326
5	Property Condition Survey	22,548	12,500	(30,000)	0	(30,000)	5,048	0	(5,000)	0	(5,000)	48
6	Planning Appeals and Enquiries	77,213	5,000	0	0	0	82,213	5,000	0	0	0	87,213
7	Tree Survey	33,296	0	(24,089)	0	(24,089)	9,207	0	0	0	0	9,207
8	Cemeteries Maintenance	84,717	0	0	0	0	84,717	0	0	0	0	84,717
9	Members Allowance Advisory Panel	4,394	0	(3,000)	0	(3,000)	1,394	0	0	0	0	1,394
10	District Council Elections	129,782	35,000	0	0	0	164,782	35,000	(93,800)	0	(93,800)	105,982
11	Asset Maintenance	602,497	147,500	(9,875)	(726,630)	(736,505)	13,492	160,000	0	(150,000)	(150,000)	23,492
12	Car Parks	40,161	12,000	0	0	0	52,161	12,000	0	0	0	64,161
13	Play area renewal provision	68,081	10,000	0	0	0	78,081	10,000	0	0	0	88,081
14	Dog and litter bin replacement programme	171,102	20,000	(20,000)	0	(20,000)	171,102	20,000	(20,000)	0	(20,000)	171,102
15	IT initiatives	424,656	0	(154,796)	(216,310)	(371,106)	53,550	0	0	(50,000)	(50,000)	3,550
16	Interest Equalisation Fund	0	0	0	0	0	0	0	0	0	0	0
17	Pells Pool Grant Contribution	28,400	0	(28,400)	0	(28,400)	0	0	0	0	0	0
18	Hope Gap Steps Repair Fund	23,631	200	0	0	0	23,831	200	0	0	0	24,031
19	Planning Records Archiving	86,216	0	(86,216)	0	(86,216)	0	0	0	0	0	0
20	Lewes Road Recreation Ground	10,000	0	(10,000)	0	(10,000)	0	0	0	0	0	0
21	Severe Weather Recovery Funding	32,042	0	(32,042)	0	(32,042)	0	0	0	0	0	0
22	Total	2,006,435	252,200	(398,418)	(942,940)	(1,341,358)	917,277	252,200	(118,800)	(200,000)	(318,800)	850,677

Reserves Analysis - Change Management and Spending Power Reserve

Line nos.	Expenditure item:	Actual Balance as at 31 March 2014	2014/2015 Updated Contribution	2014/2015 Approved Rev Use	2014/2015 Approved Cap Use	2014/2015 Approved Total use	Projected Balance as at 31 March 2015	2015/2016 Original Contribution	2015/2016 Approved Rev Use	2015/2016 Approved Cap Use	2015/2016 Approved Total use	Projected Balance as at 31 March 2016
		£	£	£	£	£	£	£	£	£	£	£
	Change Management Element											
1	Fixed Term Project Accountants	34,051	8,149	0	0	0	42,200		0	0	0	42,200
2	Fixed Term Legal Staff	48,510		0	0	0	48,510		0	0	0	48,510
3	Capital - Wave Energy saving initiatives	90,210		0	(90,210)	(90,210)	0		0	0	0	0
4	Fixed Term Posts - Parks and Cemeteries	7,660		(7,660)	0	(7,660)	0		0	0	0	0
5	Corporate Enabling and initiatives	13,935	35,000	(35,000)	0	(35,000)	13,935	35,000	(35,000)	0	(35,000)	13,935
6	Office Manager	0	24,400	(24,400)	0	(24,400)	0		0	0	0	0
7	Planning Development Manager	0	0	0	0	0	0		0	0	0	0
8	Customer Services Supervisor/Assistant	0	62,600	(62,600)	0	(62,600)	0		0	0	0	0
9	Unallocated balance	981,710	(130,149)	0	0	0	851,561	(35,000)	0	0	0	816,561
10	Sub-total	1,176,076	0	(129,660)	(90,210)	(219,870)	956,206	0	(35,000)	0	(35,000)	921,206
	Spending Power Element											
11	New Homes Bonus											
12	- Received in year		1,176,000				1,176,000	1,376,500				2,552,500
13	- Allocated to projects in year (included below)		(1,176,000)				(1,176,000)	(1,376,500)				(2,552,500)
14	- Total Unallocated		0				0	0				0
15	Project Management											
16	- Nexus Programme Manager	13,412	81,110	(44,500)	0	(44,500)	50,022	0	(44,900)	0	(44,900)	5,122
17	- Project Manager	17,312	54,700	(54,700)	0	(54,700)	17,312	0	0	0	0	17,312
18	- Working budget	8,468	0	0	0	0	8,468	0	0	0	0	8,468
19	Corporate Performance Software (Pam/Covalent)	11,880	36,000	(24,120)	0	(24,120)	23,760	0	0	0	0	23,760
20	Neighbourhood Planning	50,345	20,000	(35,000)	0	(35,000)	35,345	0	(32,800)	0	(32,800)	2,545
21	Property Joint Partnership Tender	73,064	0	0	0	0	73,064	0	0	0	0	73,064
22	Newhaven UTC Bid	0	1,683,000	(50,000)	(1,633,000)	(1,683,000)	0	0	0	0	0	0
23	Apprenticeship and Enterprise Project (LEAP)	106,629	10,000	(106,629)	0	(106,629)	10,000	0	(10,000)	0	(10,000)	0
24	Economic Regeneration initiatives	6,948	0	(6,948)	0	(6,948)	0	0	0	0	0	0
25	Public events	10,886	0	(10,886)	0	(10,886)	0	0	0	0	0	0
26	Office rationalisation - interim funding	0	75,400	(75,400)	0	(75,400)	0	0	0	0	0	0
27	New Service Delivery Model Technology	0	0	0	0	0	0	1,376,500	0	(1,300,000)	(1,300,000)	76,500
28	New Service Delivery Model implementation support	0	156,761	0	0	0	156,761	0	0	0	0	156,761
29	Unallocated balance	920,971	(920,971)	0	0	0	0	0	0	0	0	0
30	Sub-total	1,219,916	1,196,000	(408,183)	(1,633,000)	(2,041,183)	374,733	1,376,500	(87,700)	(1,300,000)	(1,387,700)	363,533
31	TOTAL	2,395,992	1,196,000	(537,843)	(1,723,210)	(2,261,053)	1,330,939	1,376,500	(122,700)	(1,300,000)	(1,422,700)	1,284,739

Reserves Analysis - Strategic Priority Fund

Line nos.	Expenditure item:	Actual Balance 31 March 2014 £	2014/2015 Updated Contribution £	2014/2015 Approved Rev Use £	2014/2015 Approved Cap Use £	2014/2015 Approved Total use £	Projected Balance 31 March 2015 £	2015/2016 Original Contribution £	2015/2016 Approved Rev Use £	2015/2016 Approved Cap Use £	2015/2016 Approved Total use £	Projected Balance as at 31 March 2016 £
1	Unallocated Balance	83,821	39,430	0	0	0	123,251	(60,000)	0	0	0	63,251
2	Business Engagement	77,485	0	(77,485)	0	(77,485)	0	0	0	0	0	0
3	Coastal Communities Fund Bid Support	3,687	0	0	0	0	3,687	0	0	0	0	3,687
4	Newhaven Growth Quarter contribution (CCF)	175,000	0	0	(175,000)	(175,000)	0	0	0	0	0	0
5	Devolution	50,000	0	(50,000)	0	(50,000)	0	0	0	0	0	0
6	Developing Procurement	0	58,000	(58,000)	0	(58,000)	0	60,000	(60,000)	0	(60,000)	0
7	Staff Development	0	50,000	(50,000)	0	(50,000)	0	0	0	0	0	0
8	TOTAL	389,993	147,430	(235,485)	(175,000)	(410,485)	126,938	0	(60,000)	0	(60,000)	66,938

The Medium Term Financial Strategy Savings Plan

Line nos:	The 2020 Savings Plan	14/15 £'000	15/16 £'000	16/17 £'000	17/18 £'000	18/19 £'000	19/20 £'000	Total £'000
1	Savings Target	596	611	670	744	640	0	3,261
	The plan							
2	Wave Leisure service fee reduction	40	50	100	100	100	100	490
3	Restructure Phase1	511						511
4	Agile Working	45						45
5	Agile Working			203				203
6	Introduction of 2% vacancy saving		182					182
7	Final phasing out of LCTS grant to Towns and Parishes			14	14	14	14	56
8	Organisational Development second phase		300					300
9	Treasury Management operations		38					38
10	Welfare Reforms			?				0
11	Review of transport arrangements			100				100
12	Income generation		50		300			350
13	Regeneration activity					300		300
14	Business process efficiencies			200	350	350	300	1,200
15	Shared Legal and HR services			21	23	42		86
16	Total Savings Plan	596	620	638	787	806	414	3,861
17	Shortfall / Surplus(-)	0	-9	32	-43	-166	-414	-600

Delivered
 Deliverable
 Requires significant work/investment to deliver



Lewes District Council

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www.lewes.gov.uk

9 January 2015

Response by email to: settlement.consult@communities.gsi.gov.uk

Dear Sir,

Consultation Response: Provisional 2015-16 Local Government Finance Settlement.

Please accept this consultation response on behalf of Lewes District Council.

In his statement to the Provisional Finance Settlement, The Minister referred to the fact that Parishes are an important part of local government, delivering valuable and valued local services.

The Minister also highlighted the importance of Devolution and mentioned why the Government has devoted much effort to empower our great cities and communities to drive local growth through a redistribution of power, away from Westminster and Whitehall, to councils, communities, and individuals across the nation.

Against this particular background I would ask the Minister to accept this submission as a response to his request for views on whether the highest spending parishes should be subject to the same referendum principle as the rest of local government.

Lewes District Council has embraced the Government Localism agenda and has embarked upon a journey to devolve its open spaces and recreation areas to the Town and Parish Councils in the district.

The first step of the journey was actioned during the current year 2014/2015 using the council tax setting process and relevant legislation to charge the taxpayers in each Town and Parish area the cost of their local open space areas. The legislative mechanism is called "Special Expenses".

This move has already raised greater service cost awareness and through retendering for a grounds maintenance contract a lower service cost has been established for the benefit of local taxpayers.

We have met with Town and Parish Councils where Special Expenses apply and they are keen to take on ownership and responsibility for these open spaces. We aim to devolve three sites during 2015/2016 which will impact on local 2015/2016 taxes. The rest of the sites (which are the majority) we aim to devolve by autumn 2015, ready for the 2016/2017 local tax calculations.

The greatest impediment to our implementation of this localism agenda and the greatest concern of Town and Parish Councils is the uncertainty that surrounds the referenda criteria and when it might and might not apply.

I would therefore like to submit for your consideration that Town and Parish Councils be excluded from any referenda requirement where:

- Towns and Parishes take on ownership of assets and services from a principal authority in the spirit of the Localism Act 2011, and
- It can be demonstrated that the aggregate band D taxation level of the combined Principal Authority and Town/Parish which has devolved/received the assets and services, remains the same.

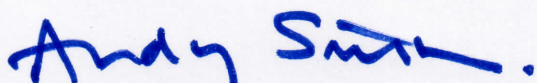
I have carefully worded this suggestion so that Towns and Parishes would be included within any criteria you choose to set if the principal council failed to address its own level of taxation to reflect what should be a transfer from its precept to that of the local Town or Parish Council. As part of the devolution agreement we would seek to give a commitment that the District Council will not subsume the transferred budget into its own Council Tax requirement.

If the Minister is minded to introduce referenda criteria for some, or all Town and Parish Councils could he please consider indicating those circumstances where he would be minded to favourably consider representations on a case by case basis, such as the instance I have referred to above and also to indicate that these circumstances would transcend financial years, or at least the next two financial years. This would provide a reasonable degree of certainty enabling our devolution programme to be delivered.

I understand that the local referenda procedure would be a vehicle for a Town or Parish Council to seek a mandate for this devolution policy but the counter argument is that the end result of our policy is no change at individual taxpayer level and therefore it would be an unnecessary and costly exercise to conduct a referenda in this case, particularly as one of our key priorities is to save money and put it back into the pockets of our residents and businesses, where we can.

Finally, I would also like to request that the referenda announcements for Towns and Parishes (if The Minister introduces criteria) are made at the same time as the Provisional Finance Settlement. I would like to thank the Minister in advance for taking the time to consider this submission.

Yours sincerely



Councillor Andy Smith
Deputy Leader and Lead Cabinet Councillor for Corporate Resources

Town/Parish Area Special Expenses - Site Listing

	2014/15 £	2015/16 £	Change
Lewes			
Barons Down	49	83	34
Bell Lane	6,095	8,160	2,065
Castle Banks	254	417	163
Grange Road	39	19	-20
Jubilee Gardens	782	1,238	456
Landport Bottom, Lewes (TO BE DEVOLVED)	5,723	0	-5,723 D
Landsdown Place	95	161	66
Lewes Library Site	917	706	-211
Lewes Railway Land LNR	39,459	32,954	-6,505
Malling Railway Cutting	1,327	785	-542
Malling Street	5,499	7,781	2,282
Phoenix Causeway / Little East Street	9,412	14,233	4,821
Southover Grange Gardens	74,974	90,120	15,146
The Gallops	2,208	3,762	1,554
Timberyard Lane	998	1,076	78
Valence Road	188	320	132
Waite Close	564	781	217
Watergate Lane	53	76	23
Malling Rec incl Lewes Skate Park (TO BE DEVOLVED)	44,456	0	-44,456 D
Stanley Turner	96,159	76,633	-19,526
Convent Field	100,999	74,360	-26,639
Sub-total	<u>390,250</u>	<u>313,665</u>	<u>-76,585</u>
Newhaven			
Avis Road Rec	4,597	7,960	3,363
Castle Hill, Newhaven	2,205	1,345	-860
Court Farm Road Island	233	364	131
Denton Island	13,664	12,769	-895
Drove Park	2,840	1,462	-1,378
Huggets Green (West Quay)	5,007	6,645	1,638
Meeching Down Open Space	5,253	9,727	4,474
Newhaven Town Centre	3,252	4,708	1,456
Riverside Park	692	393	-299
Valley Road / Parkour	5,916	4,650	-1,266
West Quay (South) Open Space	503	721	218
Denton Rec	3,531	7,213	3,682
Eastside Rec	27,901	31,375	3,474
Fort Road Rec, Outdoor Gym and Skate park	83,086	63,219	-19,867
Sub-total	<u>158,680</u>	<u>152,551</u>	<u>-6,129</u>
Telscombe			
Fairlight Avenue	56	28	-28
Telscombe Cliff tops	16,351	18,495	2,144
Telscombe Playing Fields	42,123	33,041	-9,082
Sub-total	<u>58,530</u>	<u>51,564</u>	<u>-6,966</u>

Town/Parish Area Special Expenses - Site Listing

	2014/15 £	2015/16 £	Change
Seaford			
Alfriston Road OS	1,115	675	-440
Anthonyms Close	206	345	139
Aquila Park	2,541	485	-2,056
Bowden Rise	834	1,399	565
Brickfields, Seaford	2,931	1,266	-1,665
Chalvington Close Verge	354	593	239
Chalvington Field	8,646	12,142	3,496
Foster Close OS	1,033	775	-258
Hurdis Road	640	1,307	667
Katherine Way Open Space	1,027	1,790	763
Micklesfield OS	3,731	4,777	1,046
Normansal Park OS	935	1,585	650
Rookery Way	421	705	284
Seaford Close	484	811	327
St. Crispians	5,772	7,125	1,353
Valley Dip Play Area	5,444	3,945	-1,499
Downs Rec	13,166	13,839	673
Sub-total	<u>49,280</u>	<u>53,564</u>	4,284
Peacehaven			
Firle Road Walkway	1,520	1,890	370
Lake Park	2,722	3,404	682
Meridian Park	30,766	16,516	-14,250
Peacehaven Cliff Tops	9,232	17,582	8,350
Sub-total	<u>44,240</u>	<u>39,392</u>	-4,848
Chailey			
The Martlets, South Chailey	1,150	1,068	-82
Ringmer			
The Forges (TO BE DEVOLVED)	3,820	0	-3,820 D
Hamsey			
The Malthouse, Cooksbridge	300	185	-115
TOTAL	<u>706,250</u>	<u>611,989</u>	-94,261

D = Special Expenses will not be charged in 2015/2016 as a result of the devolution of these sites.

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

Agenda Item No: 10.3 **Report No:** 19/15
Report Title: Housing Revenue Account Budget 2015/2016
Report To: Cabinet **Date:** 12 February 2015
Cabinet Member: Councillor Philip Howson
Ward(s) Affected: All
Report By: John Magness, Director of Finance
Contact Officer(s):
Name(s): Stephen Osborne
Post Title(s): Principal Accountant
E-mail(s): stephen.osborne@lewes.gov.uk
Tel No(s): 01273 471600

Purpose of Report:

This report presents the Housing Revenue Account Budget 2015/2016.

Officers Recommendation(s):

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

1. The budgets for 2015/16 (*Appendices 1 to 6 of this report*).
2. An average dwelling rent increase of 2.83%, effective from 6 April 2015. This is in line with the proposed Council policy on rent restructuring. (*Section 9 of this report*).
3. All new tenancies, excluding tenancy transfers, to be let at formula rent from 6 April 2015. (*Section 9.7.2 of this report*).
4. An increase of 2.8% in Affordable Rents, effective from 6 April 2015 (*Section 11 of this report*).
5. An average garage rent increase of 2.3%, effective from 6 April 2015. (*Section 12 of this report*). This is in line with the Business Plan and current Council policy on garage rentals.
6. An increase of 2.3% in Private Sector Leased Property rents, effective from 6 April 2015 (*Section 13 of this report*).
7. Implement revised Service Charges, effective from 6 April 2015 (*Sections 14 to 19 of this report*).

Reasons for Recommendations

1. To enable the Council to fulfill its legal obligations to produce a balanced Housing Revenue Account for 2015/2016.

Information

2. Introduction

2.1. The national Housing Revenue Account self-financing system allows all income generated to be kept locally and available to fund the maintenance and management of the housing stock, service debt and acquire and provide additional Social Housing.

2.2. The budgets have been prepared on the basis of the national Housing Revenue Account Accounting Code of Practice and incorporate Restructured Rents, Supporting People and Service Charges.

3. Budget Information

3.1. The Housing Revenue Account Budget 2015/2016 is in line with the Business Plan and the Council's proposed policy on restructured rents. The budget includes a contribution to finance the capital programme of £820,000 and shows an estimated balance in hand at year end of £2,517,770. The average increase in dwelling rents is 2.83%.

3.2. A provision of 2.2% has been made for movements in the pay bill in line with the national settlement. Salary budgets also allow for contractual salary increments.

3.3. The budgeted employer's pension contribution rate for 2015/2016 is the same as that proposed by the actuary following the three yearly review of the East Sussex Pension Fund, which was finalised in December 2013.

3.4. Inflation has been provided to cover known price changes, such as utility and contractual commitments. In addition, the noted items in 3.5 to 3.11 have been provided in the budget.

3.5. It is essential that the long-term Business Plan is updated with current information on the condition of the housing stock. This allows expenditure on future major repairs and replacements to be synchronised with available resources. A provision of £457,000 for a stock condition survey and associated administration previously agreed by Cabinet is included within the 2015/2016 supervision and management budget.

3.6. The planned and responsive maintenance budget allows for an increase of £67,100 (5%) and £82,500 (5%) respectively. This allows for the increase in costs forecasted by the Royal Institution of Chartered Surveyors (RICS). Following the introduction of the new maintenance contract, a further £66,000 (4%) has been included in the budget (2015/2016) to cover the increased costs arising from the new contract.

3.7. Following agreement of the grounds maintenance and cleaning contracts, a further £30,000 and £33,000, respectively, has been included in the budget (2015/2016) to cover the increased costs arising from the new contracts.

3.8. The Council is replacing old electric storage heating with sustainable air source heat pump heating systems. These warm centrally heated homes can achieve electricity savings of up to 40%. The completed systems attract Renewable Heat Incentive payments which are calculated on the savings expected for each individual property (on average £100 per quarter, for seven years).

The anticipated income is £80,000 (2015/2016), which has been included in the budget and added to the Working Balance (Special Projects).

3.9. A provision of £350,000 has been included in the budget (2014/15) in respect of preliminary costs associated with the development of potential sites for housing development.

3.10. Property adaptations for disabled tenants have traditionally been included in the Capital Programme. It is proposed that a sum of £80,000 (2015/2016) is transferred to the revenue budget for minor adaptations and works. There is a corresponding reduction in the Capital Programme item for Adaptations for Disabled Tenants.

3.11. A sum of £320,000 is included in the revenue estimates for capital projects that are not traditionally funded from borrowing or the Major Repairs Reserve. The projects include housing estate recreation and play areas, and environmental improvements.

Budget Presentation

4. Budget Layout

4.1. The budget layout complies with national accounting requirements and includes explanatory notes within the body of the budgets. An explanation of items included within the expenditure headings is given below.

- a) Employees – Includes the salary costs of the Council's workforce directly providing the service. This heading includes employee related insurance premiums.
- b) Premises – Includes the costs associated with buildings such as repairs and maintenance, upkeep of grounds, energy, water charges and Business Rates.
- c) Transport – Running costs of council owned vehicles together with employee car allowances and use of public transport.
- d) Supplies and Services – Day to day running costs such as printing, stationery, telephones, external professional services and department overheads in respect of employees who directly provide the service.

- e) Agency and Contracted Services – Where a contractor wholly undertakes the provision of a service, the costs will be shown against this heading.
- f) Support Services – This heading includes costs such as accountancy, legal, and information technology services (e.g. hardware, software and operational systems).

The Housing Revenue Account Budget is set out in the following appendices:

- Appendix 1 Housing Revenue Account Summary
- Appendix 2 Supervision and Management Account
- Appendix 3 Special Services Account
- Appendix 4 Repairs and Maintenance Account
- Appendix 5 Housing Revenue Account Resources Summary
- Appendix 6 Working Balance Allocation

Housing Revenue Account Debt

5. Housing Debt and Debt Ceiling

5.1. The Government continues to maintain control of borrowing for local authority housing. The Council's bid to Government for additional borrowing of £2.317m, to finance the construction of thirty new dwellings, was successful. The additional allocation increases the Housing Revenue Account 'Debt Cap'.

5.2. The Council's Housing Revenue Account borrowing is now capped at £75.248m. Actual borrowing at 1 April 2015 is projected to be £64.790m, leaving borrowing headroom of £8.141m, as shown in Table 1.

5.3. The HRA Capital Financing Requirement is met by a combination of loans, as summarised in Table 1. This assumes that no premature loan repayments are made before 31 March 2015.

5.4. The Public Works Loan Board (PWLB) loan interest rate is the average interest rate payable on a combination of individual loans with varying maturity dates. A fixed rate of interest applies to the Barclays Bank loan. The internal borrowing (from the General Fund) interest rate is equivalent to the indicative PWLB one year rate. The approach that is taken on internal borrowing is specified within the Council's Treasury Management Strategy.

TABLE 1

	Loans 1 April 2015 £	Interest Rate %	Interest Amount £
Public Works Loan Board	51,673,000	2.9090	1,503,160
Barclays Bank	5,000,000	4.5000	225,000
Internal Borrowing from General Fund	8,116,725	1.3300	107,950
Total Debt	64,789,725	2.8339	1,836,110
Increase Approved by DCLG (New Dwellings Construction)	2,317,090		
Debt Headroom	8,141,275		
Debt Allocation & Debt Cap	75,248,090		

The Budget 2015/2016

6. The Major Repairs Reserve

- 6.1.** It is essential that there are sufficient resources set aside within the Housing Revenue Account for the long term maintenance and renewal of the housing stock. This is achieved by setting aside in the Major Repairs Reserve the amount charged to the Housing Revenue Account as depreciation each year.
- 6.2.** Authorities are expected to use the Major Repairs Reserve in line with the priorities and phasing set out in the Business Plan and maintain the decent homes standard, rather than fund the acquisition of new assets.
- 6.3.** The projected movements on the Major Repairs Reserve are shown in TABLE 2 below. The amounts shown for 2014/2015 differ from the original budget having been updated to take into account the revised capital programme and depreciation calculated on the actual value and components of the housing stock at 31 March 2014.

TABLE 2

	2013/14	2014/15	2015/16	2016/17	2017/18
	£	£	£	£	£
Balance 1 April	387,735	1,423,858	726,988	623,018	519,048
Depreciation	4,386,645	4,423,960	4,421,030	4,421,030	4,421,030
Capital Programme	(3,350,522)	(5,120,830)	(4,525,000)	(4,525,000)	(4,525,000)
Balance 31 March	1,423,858	726,988	623,018	519,048	415,078

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

7. Working Balance

- 7.1.** The HRA Business Plan has a planned general Working Balance of £1.5 million. This position allows for the continuing volatility of the current economic climate.
- 7.2.** In addition to the General element of the Working Balance, amounts are held to fund potential costs in future years. TABLE 3 draws together all the earmarked components of the HRA working balance and shows the projected Working Balance at 31 March 2016.
- 7.3.** The Special Projects element of the working balance is available to fund the HRA share of the Organisational Development Strategy and staff redeployment.

TABLE 3

Working Balance Allocation	Actual 2013/14 £	Original 2014/15 £	Projected 2014/15 £	Budget 2015/16 £
General Working Balance	898,095	2,090,552	2,177,410	1,500,000
Capital Expenditure	373,322	-	-	-
Budget Carry Forwards	83,586	-	-	-
Service Charges	131,874	-	-	-
Special Projects	906,700	906,700	556,700	742,770
Agile Working IT Project	58,943	-	-	-
Self-Insurance	275,000	275,000	275,000	275,000
Total Working Balance	2,727,520	3,272,252	3,009,110	2,517,770

8. The Revenue Budget 2015/2016

8.1. Expenditure in 2015/2016 exceeds income by £491,340, which will be funded from the Working Balance. This includes the one-off cost of the Stock Condition Survey of £457,000. The major variations for 2015/2016 are analysed below in TABLE 4.

TABLE 4

Budget Variations	Budget 2015/16 £'000	Budget Variations	Budget 2015/16 £'000
Original Budgeted Net Surplus 2014/15	(457)	Repairs and Maintenance	
Dwelling, Land & Building Rents	(373)	Employees, Central Support & Admin	150
Charges for Services	(25)	Salaries Previously Capitalised	309
Renewable Heat Incentive	(80)	Planned Repairs	67
Income From Works Recharged	14	Responsive Repairs	149
Community Amenities Contribution	(15)	Disabled Adaptations Transfer	80
Supervision and Management		Capital Charges	(33)
Employees, Central Support & Admin	(61)	Rents & Rates	(6)
Professional Services & Advice	28	Premises Insurance	(16)
Stock Condition Survey	457	Contribution to Capital Programme	(475)
Special Services		Debt Management Costs	4
Employees, Central Support & Admin	8	Supporting People Contribution	4
Sheltered Alarm & Call Systems	(2)	Debt Repayment Provision	(19)
Cleaning of Premises	33	HRA Investment Income	20
Ground Maintenance	30	Depreciation of Fixed Assets	716
Maintenance, Refuse & Repairs	(5)	Net Variation	948
Heating & Lighting Energy	(11)	Projected Net Deficit (Surplus)	491
		Projected Balance 1 April 2015	(3,009)
		Estimated Balance 31 March 2016	(2,518)

9. The Rent Decisions

9.1. Background

9.1.1. The Council has been following the Government's guidance for rents for social housing since April 2003.

9.1.2. In May 2014, the Government issued new guidance setting out its policy on rents for social housing from April 2015. This followed consultation at the end of 2013.

9.1.3. The new guidance simplifies the approach to setting the rent for each property, but this will result in an annual loss of income to the Council compared with continuing the current policy of convergence.

9.1.4. Although the Government expects authorities to comply with the new guidance, it is not compulsory to do so. The proposal is to continue in 2015/2016 with a policy of rent convergence so that, over time, all tenancies will be let at formula rent.

9.2. The Current Approach to Rent Setting

9.2.1. The rent for each property is based on a formula set by Government. There is a 'formula rent' rent for each property based on the relative value of the property, relative local income levels and the size of the property. The formula rent was fixed at the start of the system, but has been subject to inflationary increases.

9.2.2. When the system was introduced, the actual rent for each property invariably differed from its formula rent. Following the guidance, actual rents were increased by RPI plus 0.5% plus up to an additional £2 per week where the rent is below the formula level. The expectation was that, over a number of years, the actual rent would converge with the formula rent.

9.2.3. In 2014/2015, the position at Lewes District Council is:

Tenants Converged		259
Tenants Not Converged		2,970
% Tenanted Converged		8.0%
Difference between formula rent and actual rent for non-converged properties	Gap	Number
	£0.01 to £5.00	2,661
	£5.01 to £10.00	114
	£10.01 to £19.99	145
	Above £20.00	50
	Total	2,970

9.2.4. Over the 11 year period of following the policy of 'rent convergence', in those cases where the formula rent of a property was lower than the actual rent, the actual rent was reduced down to equal the formula rent. New tenancies are currently on the basis of the outgoing tenant's actual rent, rather than the formula rent.

9.3. New Government Guidance

9.3.1. The key elements of the new Government guidance are:

- Index linking of rent increases:

Current approach: September RPI + 0.5%. For 2015/2016 this is 2.8%

New guidance: September CPI + 1.0%. For 2015/2016 this is 2.2%

The effect of this switch in the calculation of index linking is a reduction in rent income of approximately £88,000 in 2015/2016.

- End of convergence to formula rent. The maximum £2 per week additional increase for those properties below formula rent will no longer apply. The Government recognises that some properties will not have reached their formula rent by April 2015 and recommends that rent only moves up to formula rent where the property is re-let following vacancy.

9.4. Proposal

9.4.1. There is no requirement for the Council to adopt a rent setting policy which follows the Government's guidance. However, if a substantial increase in rents were to be introduced, taking the average rent above a pre-determined 'limit rent', the subsidy that the Council receives in respect of the cost of rent rebates awarded to tenants would not cover the full cost of those rebates. This would be a cost to the Housing Revenue Account. The proposal set out below would not breach the 'limit rent'.

9.4.2. The Council's proposal is to adopt the Government's approach to inflationary increases but also to continue with a system of rent convergence in 2015/2016. In this way, the number of tenancies let at formula rent will continue to increase each year. The convergence mechanism would be based on the principle of all tenancies being let at formula rent after 3 years (2018/2019). However, to protect those tenants who may otherwise be faced with a substantial increase, a weekly cap would continue to apply.

9.4.3. The proposal is to calculate the rent increase by using the following formula:

- Increase CPI + 1% + £3 per week for properties below formula rent.
- The £3 per week cap is the Government's £2 per week convergence factor uprated for cumulative inflation.

9.4.4. This policy is the basis on which the budget has been prepared and formal consultation undertaken with TOLD, who have responded that it agrees that the proposal is fair (Appendix 7).

9.5. Effect on Rents

9.5.1. The result of applying this formula will be as follows:

	Convergence to formula rent - 3 year				
	2014.15	2015.16	2016.17	2017.18	
Average Rent	£87.86	£90.34	£93.62	£97.00	
Average Increase %		2.83%	3.62%	3.62%	
Average increase £		£2.49	£3.27	£3.38	
Maximum increase %		9.93%	10.04%	9.40%	
Maximum increase £		£5.84	£7.05	£7.26	
Average Formula Rent	£90.03	£92.01	£94.77	£97.61	
Tenants Converged	259	264	277	3,002	
Tenants Not Converged	2,970	2,965	2,952	227	
% Tenanted Converged	8.0%	8.2%	8.6%	93.0%	
Average Gap between Formula and Actual Rent		£1.81	£1.26	£8.64	
Number of Tenants where gap between Formula and Actual Rent is:	£5.00	114	95	65	78
	£10.00	145	114	93	54
	£20.00	50	41	25	18

9.5.2. The table above indicates that, by the end of the 3 year period, 93% of tenancies will be let at formula rent. The £3 per week cap prevents the remaining 7% of tenancies achieving this position.

9.5.3. The average increase of 2.83% / £2.49 per week incorporates a range of increases for individual tenancies. These are analysed as follows:

% Increase	Number of tenants	£ Increase	Number of tenants
up to 2.2%	300	up to £2.00	1,014
2.2% up to 3%	2,505	£2.01 up to £3.00	1,736
3% up to 4%	118	£3.01 up to £4.00	179
4% up to 5%	126	£4.01 up to £5.00	129
5% up to 6%	153	£5.01 up to £6.00	171
6% up to 7%	23	£6.01 up to £7.00	-
7% up to 8%	1	£7.01 up to £8.00	-
8% up to 9%	2	£8.01 up to £9.00	-
9% up to 10%	1	£9.01 up to £10.00	-
above 10%	-	above £10.00	-
TOTAL	3,229	TOTAL	3,229

9.5.4 With regard to the highest % increase shown in the table above, the weekly rent payable for the property in 2015/2016 will be £42.61, £12.16 lower than its formula rent, £54.77.

9.6. Effect on HRA

9.6.1. By continuing with the convergence of actual to formula rents, more income is generated for the HRA to support the maintenance of the stock and new initiatives including new homes. Over the 10 year period, 2015/2016 to 2024/2025, the cumulative value of this additional rent income is projected to be £3.5m.

9.6.2. Compared with the Government guidance, projected rent income for the next three years is as follows:

	2015.16	2016.17	2017.18
Rental Income (Proposal)	£15,169,393	£15,719,282	£16,287,613
Rental Income (Government Guidance)	£15,076,323	£15,528,568	£15,994,439
Variance	£93,070	£190,714	£293,174

9.7. New Tenancies

9.7.1. Currently, new tenancies are let on the basis of the actual rent payable by the outgoing tenant. In this way, neighbouring tenants in identical properties will pay the same rent.

9.7.2. The guidance recommends that new tenancies are let at formula rent. It is proposed that the Council moves to this approach and that all new tenancies, excluding tenancy transfers, from 6 April 2015 be let at formula rent.

10. Rents for Tenants with High Incomes

10.1. The Government believes that local authorities should be able to charge tenants with high incomes a fairer level of rent to stay in their homes. The Government's new rent guidance, therefore, does not apply to properties let to households with incomes of at least £60,000 per year.

10.2. There is no statutory requirement for tenants to disclose household income to the local authority. As a result, the Council does not consider it to be practicable or cost effective to implement differential rents for high income households and it is not proposed to pursue this option.

11. Affordable Rents

11.1. The Council has acquired two properties under the Mortgage Rescue Scheme, as facilitated by Moat Homes Ltd (MOAT). The rents on these properties are set as Affordable Rents, which are based on 80% of the monthly Market Rent. The agreements provide that the rents will increase in April each year by the Retail Price Index (September RPI) plus 0.5%

11.2. The increase for 2015/2016 will be 2.8% (September RPI 2.3% + 0.5%).

12. Garage Rents

- 12.1. Garage Rents are not within the scope of formula rents. It is left to each Council to formulate its own policy on garage rents.
- 12.2. The Council continues to undertake a programme of refurbishment works to council garages. In approving the refurbishment programme, Cabinet agreed that garage rents should reflect the local garage rental market. Market rents were phased in from April 2011 for both refurbished and non-refurbished garages.
- 12.3. Garage rentals are updated each year by September RPI. A review of garage rents will be undertaken following completion of the project to develop certain garage sites.
- 12.4. TABLE 8 sets out the weekly market rents for garages.

TABLE 8

	Full Market Rents Overall £	Rents 2014/15 £	Rents 2015/16 £	Rent Increase	
				£	%
Lowest	11.38	11.12	11.38	0.26	2.3
Average	16.27	15.90	16.27	0.37	2.3
Highest	17.16	16.77	17.16	0.39	2.3

13. Private Sector Leased Property Rentals

- 13.1. The Council's private sector leasing (PSL) scheme falls outside the scope of formula rents and is accounted for in the General Fund. The properties are leased from owners/landlords for a three-year period and sub-let to homeless families. There are currently eighteen properties within the scheme.
- 13.2. The annual rent increase, if any, to owners is dealt with in the head lease.
- 13.3. The Council's policy is to increase PSL rents each April by the September RPI inflation factor, which is 2.3% for 2015/2016.

The Service Charges Decisions

14. The Special Services Charge

- 14.1. The Special Services Charge recovers the cost of estate services and estate maintenance (e.g. grounds maintenance, grass cutting of open spaces & common areas, communal lighting) not recovered through specific property service charges.
- 14.2. The Special Services Charge for 2015/2016 has been revised, in accordance with agreed Council practice, to reflect the proposed budget. The average Special Services Charge for 2015/2016 is £0.25 per week, unchanged from 2014/2015.

15. The Communal Services Charge

15.1. The Communal Services Charge recovers the cost of caretaking, cleaning, door entry & alarm systems, TV receiving equipment, laundry services, communal lighting and grass cutting of communal areas to tenants living in general needs flats.

15.2. The Communal Services Charge has been revised to reflect the 2015/2016 budget. The average Communal Services Charge for 2015/2016 is £3.12 per week (2014/2015 £3.08).

16. The Homeless Accommodation Service Charge

16.1. The service charge relates to the facilities provided at homelessness properties held within the Housing Revenue Account. Service charges for the units at Saxonbury are subject to a reduction which recognises that the building is not energy efficient.

16.2. The Homeless Accommodation Service Charge for 2015/2016 has been reviewed, in accordance with agreed Council practice, to reflect the proposed budget. The average personal services charge for 2015/2016 is £13.17 per week (2014/2015 £14.16), and the average communal services charge is £21.19 per week (2014/2015 £20.67). The communal element of the service charge is eligible for housing benefit.

17. The Supported Housing Service Charge

17.1. The Supported Housing Service Charge has been revised to reflect the budget for 2015/2016. The proposed service charges for 2015/2016 are set out in TABLE 9. The communal element of the service charge is eligible for housing benefit.

TABLE 9

Scheme	Location	Sheltered Housing Charges	Sheltered Housing Charges	Sheltered Housing Charges	Sheltered Housing Charges
		Personal	Personal	Communal	Communal
		2014/15	2015/16	2014/15	2015/16
		£	£	£	£
Allington, Baden's, Brooks & Millfield	Newick	-	-	17.76	19.09
Arundel & Southdown Roads	Peacehaven	-	-	18.24	19.71
Ashington/Chichester/Downland	Peacehaven	-	-	15.12	16.11
Bouhey Place	Lewes	-	-	25.16	23.91
Churchill House	Seaford	7.79	7.46	21.91	24.08
Coldstream House	Seaford	-	-	27.90	28.48
Meridian Court	Peacehaven	9.90	9.24	25.19	25.68
Mill Close & Mill Road	Ringmer	-	-	18.46	19.35
Neill's Close & Jubilee Homes	Newhaven	-	-	15.61	17.88
Newton Road	Lewes	-	-	18.75	19.80
Rathan Court	Newhaven	9.74	9.45	20.24	22.08
Reed Court	Lewes	8.52	8.94	25.16	23.91
Seaford House	Seaford	6.90	6.15	23.56	24.19
St. David's Court	Peacehaven	21.15	20.50	22.48	23.42
Average		10.08	9.69	20.42	21.49

18. The Supporting People Service Charge

- 18.1. East Sussex County Council makes a financial contribution towards the cost of providing the Supporting People service to eligible tenants. The agreed contribution is £10 per week per unit. The number of tenants eligible for support is capped at 307 units.
- 18.2. Eligible tenants in receipt of the support package receive financial support from the County Council. Where there is no entitlement to financial support, tenants are required to pay the full support charge from their own resources.
- 18.3. Tenants who are not eligible for support from the County Council but were tenants at the start of the new scheme (April 2003) are entitled to full protection until such time as their tenancy is terminated. This is a charge on the Housing Revenue Account.

19. Other Service Charges

- 19.1. All other service charges have been updated to reflect the 2015/2016 budget and achieve full cost recovery. This charge includes sundry charges for digital television reception, residual lifeline services and domestic cookers provided at certain properties.
- 19.2. A review of the Communal Service Charge will be undertaken in 2015/2016 with the aim of aligning the charges with those for leaseholders; reflecting the organisational change within the Council and the agreement of new contracts for grounds maintenance communal cleaning. A report setting out the options for change will be submitted to Cabinet in autumn 2016, for planned implementation from April 2016.

The Capital Programme

20. The capital programme is restricted to the amount of funding available from four major sources.

- *Prudential Borrowing.* Any borrowing to fund additions or improvements to the stock must be affordable to the HRA. The borrowing must not take the total debt above the cap of £75,248,090 (paragraph 5.2 - TABLE 1).
- *The Major Repairs Reserve* (paragraph 6.3 - TABLE 2).
- *Capital Receipts.* As an indication, in the first six months of 2014/2015, the proceeds from the sale of five dwellings amounted to £453,500, which have been allocated, in accordance with statutory requirements, for four purposes.
 - (i) To finance Non-HRA capital expenditure (£77,777);
 - (ii) To repay HRA borrowing, in accordance with the self-financing settlement (£91,325);
 - (iii) To pay the Government its prescribed share, (£179,784);
 - (iv) To fund new affordable housing, in accordance with the Government scheme introduced in April 2012 (£104,614).

21. Capital Requirements for the next three years are shown in TABLE 11. This is based on historic stock condition survey data and will be revised when information becomes available from the survey currently being commissioned.

21.1. TABLE 10 shows those items within the approved 2014/2015 Capital Programme (as reported to Cabinet in November 2014) relating to those services covered by the Housing Revenue Account.

21.2. Capital schemes in respect of private sector housing or housing association schemes are within the General Fund Housing Investment Capital Programme.

21.3. This approach is adopted because some of the resources which are available to the Council to fund the Capital Programme can be used on either the General Fund or Housing Revenue Account, for example capital receipts, whereas other resources can only be used for HRA purposes. Cabinet agrees the split of the shared resources, according to its overall priorities for capital expenditure.

TABLE 10

Ref	HRA Investment Capital Programme	2014/15 £
1	<i>Expenditure</i>	
2	<i>Improvements to Existing Stock</i>	
3	- Kitchen & Bathroom Renewals	680,000
4	- Gas Heating Improvements	1,300,000
5	- Heating Sustainable Replacement	700,000
6	- Window & Door Replacement	700,000
7	- Electrical Rewiring	100,000
8	- Roofing & Chimney Works	450,000
9	- Structural Works	100,000
10	- Insulation Improvements	100,000
11	- Fire Precaution Works	250,000
12	<i>Other Works</i>	
13	Adaptations for Disabled Tenants	430,000
14	Door Entry Security Systems	148,170
15	Rooms in Roofs Conversions	309,870
16	Environmental Improvements	110,000
17	Recreation and Play Areas	50,000
18	Digital TV Reception	100,000
19	Garage & Fencing Improvements	110,000
20	Churchill House Lift Replacement	60,000
21	Buy Back of Right to Buy Properties	182,100
22	Agile Working Project	58,940
23	Total	5,939,080
24	<i>Funding</i>	
25	Borrowing	182,100
26	Major Repairs Reserve	5,120,830
27	Revenue Account Contribution	614,720
28	Leaseholder Contributions	21,430
29	Total	5,939,080

21.4. The proposed programme for the three-year period 2015/16 to 2017/18 is shown in TABLE 11 below. It assumes the Council undertakes prudential borrowing of £2,872,090; utilises the Major Repairs Reserve of £13,575,000; applies Capital Receipts of £1,500,000; and makes a revenue contribution to the capital programme of £2,460,000.

21.5. The Council's bid to Government for additional borrowing of £2,317,090 to finance the construction of thirty new dwellings was successful. The project has been included in the Capital Programme (2015/16) in the sum of £3,817,090. The Council will fund the balance of £1,500,000 from Capital Receipts.

TABLE 11

Ref	HRA Investment Capital Programme	2015/16 £	2016/17 £	2017/18 £
1	<i>Expenditure</i>			
2	<i>Construction of New Dwellings</i>		-	-
3	- Balcombe Road, Peacehaven	759,830	-	-
4	- Grassmere Court, Telscombe Cliffs	506,550	-	-
5	- Headland Way, Peacehaven	506,550	-	-
6	- Hythe Crescent, Seaford	235,340	-	-
7	- Rectory Close, Newhaven	1,013,110	-	-
8	- Valley Road, Newhaven	506,550	-	-
9	- Waldshut Road, Lewes	289,160	-	-
10	<i>Improvements to Existing Stock</i>			
11	- Kitchen & Bathroom Renewals	600,000	600,000	600,000
12	- Gas Heating Improvements	1,000,000	1,000,000	900,000
13	- Heating Sustainable Replacement	1,200,000	1,200,000	1,500,000
14	- Window & Door Replacement	600,000	600,000	600,000
15	- Electrical Rewiring	100,000	100,000	100,000
16	- Roofing & Chimney Works	650,000	650,000	450,000
17	- Structural Works	105,000	105,000	105,000
18	- Insulation Improvements	70,000	70,000	70,000
19	- Fire Precaution Works	300,000	300,000	300,000
20	<i>Other Works</i>			
21	Adaptations for Disabled Tenants	350,000	350,000	350,000
22	Door Entry Security Systems	50,000	50,000	50,000
23	Rooms in Roofs Conversions	150,000	150,000	150,000
24	Environmental Improvements	120,000	120,000	120,000
25	Recreation & Play Areas	50,000	50,000	50,000
26	Buy Back of Right to Buy Properties	185,000	185,000	185,000
27	Total	9,347,090	5,530,000	5,530,000
28	<i>Funding</i>			
29	Borrowing	2,502,090	185,000	185,000
30	Capital Receipts	1,500,000	-	-
31	Major Repairs Reserve	4,525,000	4,525,000	4,525,000
32	Revenue Account Contribution	820,000	820,000	820,000
33	Total	9,347,090	5,530,000	5,530,000

22. Tenant Consultation

- 22.1.** An integral part of the Budget process is a constructive dialogue with The Tenants of Lewes District Group (TOLD). This year the Council has been in ongoing discussions with TOLD regarding the Revenue Budget and Capital Programme.
- 22.2.** The response of TOLD to the budget consultation is included at Appendix 7.

Financial Implications

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

Sustainability Implications

24. I have not completed the Sustainability Implications Questionnaire as this Report is exempt from the requirement because it is a budget monitoring report.

Risk Management Implications

25. I have completed a risk assessment in accordance with the Council's Risk Management methodology and the following risks and mitigating factors have been identified.

- 25.1.** The Revenue Budget has been compiled in accordance with the approved budget preparation guidelines, mitigating the risk that the budgets do not reflect likely expenditure needs or income levels. The budget is consistent with the 30 year Business Plan for the Housing Revenue Account.

Equality Screening

26. The equality screening process for this report took place in January 2015. No potential negative impacts were identified.

Legal Implications

27. None arising from this Report

Background Papers

DCLG Guidance on Rents for Social Housing (May 2014)
DCLG Direction on the Rent Standard (May 2014)

Appendices:

Appendix 1 – HRA Budget 2015/2016 Summary
Appendix 2 – HRA Budget 2015/2016 Supervision and Management
Appendix 3 – HRA Budget 2015/2016 Special Services
Appendix 4 – HRA Budget 2015/2016 Repairs and Maintenance
Appendix 5 – HRA Budget 2015/2016 Resources Analysis
Appendix 6 – HRA Budget 2015/2016 Working Balance Allocation
Appendix 7 – TOLD Response to Budget Consultation

LINE NO.	2013/14 ACTUAL £	SUMMARY	2014/15 ESTIMATE £	2015/16 ESTIMATE £
1	14,507,107	Rental Income	15,092,200	15,465,200
2	947,910	Charges for Services	979,300	1,084,220
3	252,850	Contributions towards Expenditure	214,600	200,600
4	144,817	Community Amenities Contribution	154,200	168,800
5	15,852,684	Total Direct Income	16,440,300	16,918,820
6	2,462,651	Supervision and Management	2,299,500	2,723,350
7	1,228,242	Special Services	1,403,900	1,456,880
8	3,736,325	Repairs and Maintenance	3,489,900	4,244,550
9	213,467	Rents and Rates	175,400	153,800
10	41,365	Provision for Bad Debts	50,000	50,000
11		Depreciation of Fixed Assets		
12	3,884,273	- Dwellings	3,237,000	3,921,830
13	498,568	- Other Assets	465,200	496,270
14	3,804	- Intangible Assets	2,900	2,930
15	(6,712,630)	Impairment of Fixed Assets	-	-
16	29,594	Debt Management Costs	30,300	33,600
17	17,040	Supporting People Non-Benefit Support	11,400	15,000
18	5,402,699	Total Direct Expenditure	11,165,500	13,098,210
19	(10,449,985)	Net Cost of Services	(5,274,800)	(3,820,610)
20	(466,857)	Gain on Sale of HRA Fixed Assets	-	-
21	(213,905)	Capital Grants & Contributions	-	-
22	139,000	Past Service Pension Gains & Costs	-	-
23	1,855,108	Interest Payable	1,868,900	1,836,110
24	(25,967)	Interest Receivable (Working Balance)	(40,000)	(20,000)
25	(9,162,606)	Net Operating Expenditure	(3,445,900)	(2,004,500)
26	1,184,750	Repayment of Internal Borrowing	1,697,880	1,679,200
27	1,516,961	Capital Expenditure Funded from Revenue	1,294,720	820,000
28	(3,355)	Amortised Premiums and (Discounts)	(3,400)	(3,360)
29	2,325,985	Reversal of Depreciation & Impairments	(3,705,100)	(4,421,030)
30	466,857	Reversal of Gain on Sale of HRA Fixed Assets	-	-
31	213,905	Reversal of Capital Grants & Contributions	-	-
32	4,386,645	Transfer to / (from) Major Repairs Reserve	3,705,100	4,421,030
33	(190,000)	Transfer to / (from) Pensions Reserve	-	-
34	739,142	Net (Surplus) / Deficit	(456,700)	491,340
35	3,466,662	BALANCE 1 APRIL	2,815,552	3,009,110
36	2,727,520	BALANCE 31 MARCH	3,272,252	2,517,770

LINE NO.	2013/14 ACTUAL £	SUPERVISION & MANAGEMENT	2014/15 ESTIMATE £	2015/16 ESTIMATE £
1	966,561	Employees	841,200	817,500
2	2,110	Premises	5,800	5,800
3	48,430	Transport	49,000	42,100
4	388,125	Supplies and Services	342,900	835,400
5	80,509	Tenant Incentive & Relocation Scheme	98,500	100,000
6	976,916	Support Services	962,100	922,550
7	2,462,651	EXPENDITURE (To Summary Line 6)	2,299,500	2,723,350

SERVICE STATEMENT:

General services include the running costs of housing policy and management relative to Council dwellings, garages and shops; tenancy applications and selection of tenants; rent collection and accounting and the tenant participation initiative.

SERVICE ANALYSIS:

633,661	General Management	615,700	1,019,710
554,052	Managing Tenancies	588,300	663,110
249,182	Rent Accounting	263,100	251,030
155,984	Tenant Participation	129,200	134,130
54,653	Sale of Council Dwellings	45,800	49,470
815,119	Corporate and Democratic Core	657,400	605,900
2,462,651	Net Expenditure	2,299,500	2,723,350

LINE NO.	2013/14 ACTUAL £	SPECIAL SERVICES	2014/15 ESTIMATE £	2015/16 ESTIMATE £
1	282,049	Employees	303,500	291,700
2	805,877	Premises	965,600	1,010,350
3	14,376	Transport	12,700	13,900
4	23,219	Supplies and Services	38,100	33,530
5	13,719	Agency and Contracted Services	10,000	10,000
6	89,002	Support Services	74,000	97,400
7	1,228,242	EXPENDITURE (To Summary Line 7)	1,403,900	1,456,880

SERVICE STATEMENT

Special services include the running costs (as distinct from servicing and repairs) of plant and apparatus such as lifts and boilers; lighting of staircases and courtyards; costs of wardens, caretaking and cleansing and grounds maintenance.

SERVICE ANALYSIS:

98,654	Communal Heating	157,100	120,900
131,417	Communal Lighting	120,000	129,550
29,837	Lifts	43,500	41,400
2,943	Laundry Services	7,900	7,600
38,109	Caretaking Services	34,100	30,890
83,805	Cleaning Services	121,600	155,110
376,242	Grounds Maintenance	397,500	429,960
344,669	Supported Housing	395,300	420,950
8,392	Homeless Accommodation	14,100	16,000
114,174	Other Services	112,800	104,520
1,228,242	Net Expenditure	1,403,900	1,456,880

MANAGEMENT SUMMARY:

2,462,651	Supervision & Management	2,299,500	2,723,350
1,228,242	Special Services	1,403,900	1,456,880
3,690,893	Net Expenditure	3,703,400	4,180,230

LINE NO.	2013/14 ACTUAL £	REPAIRS & MAINTENANCE	2014/15 BUDGET £	2015/16 BUDGET £
1	511,451	Employees	301,500	634,800
2		Repairs to Premises		
3	900,068	- Planned Maintenance	1,342,000	1,409,100
4	2,095,393	- Responsive Repairs	1,671,700	1,820,200
	-	- Disabled Adaptations	-	80,000
5	44,944	Transport	21,500	40,200
6	120,015	Supplies and Services	31,400	43,200
7	64,454	Support Services	121,800	217,050
8	3,736,325	EXPENDITURE (To Summary Line 8)	3,489,900	4,244,550

SERVICE STATEMENT:

Responsive and planned maintenance of Council dwellings, garages and shops located on Council Housing estates.

LINE NO.	2013/14 ACTUAL £	RESOURCES ANALYSIS	2014/15 ESTIMATE £	2015/16 ESTIMATE £
1	14,507,107	Rental Income	15,092,200	15,465,200
2	947,910	Charges for Services	979,300	1,084,220
3	252,850	Contributions towards Expenditure	214,600	200,600
4	144,817	Community Amenities Contribution	154,200	168,800
5	15,852,684	Total Direct Income	16,440,300	16,918,820
6	1,760,061	Employees	1,446,200	1,744,000
7	4,016,915	Premises	4,160,500	4,479,250
8	107,750	Transport	83,200	96,200
9	531,359	Supplies and Services	412,400	912,130
10	13,719	Agency and Contracted Services	10,000	10,000
11	80,509	Tenant Incentive & Relocation Scheme	98,500	100,000
12	1,130,372	Support Services	1,157,900	1,237,000
13		Depreciation of Fixed Assets		
14	3,884,273	- Dwellings	3,237,000	3,921,830
15	498,568	- Other Assets	465,200	496,270
16	3,804	- Intangible Assets	2,900	2,930
17	(6,712,630)	Impairment of Fixed Assets	-	-
18	29,594	Debt Management Costs	30,300	33,600
19	41,365	Provision for Bad Debts	50,000	50,000
20	17,040	Supporting People Non-Benefit Support	11,400	15,000
21	5,402,699	Total Direct Expenditure	11,165,500	13,098,210
22	(10,449,985)	NET COST OF SERVICES	(5,274,800)	(3,820,610)
23	(466,857)	Gain on Sale of HRA Fixed Assets	-	-
24	(213,905)	Capital Grants & Contributions	-	-
25	139,000	Past Service Pension Gains & Costs	-	-
26	1,855,108	Interest Payable	1,868,900	1,836,110
27	(25,967)	Interest Receivable (Working Balance)	(40,000)	(20,000)
28	(9,162,606)	NET OPERATING EXPENDITURE	(3,445,900)	(2,004,500)
29	1,184,750	Repayment of Internal Borrowing	1,697,880	1,679,200
30	1,516,961	Capital Expenditure Funded from Revenue	1,294,720	820,000
31	(3,355)	Amortised Premiums and (Discounts)	(3,400)	(3,360)
32	2,325,985	Reversal of Depreciation & Impairments	(3,705,100)	(4,421,030)
33	466,857	Reversal of Gain on Sale of HRA Fixed Assets	-	-
34	213,905	Reversal of Capital Grants & Contributions	-	-
35	4,386,645	Transfer to / (from) Major Repairs Reserve	3,705,100	4,421,030
36	(190,000)	Transfer to / (from) Pensions Reserve	-	-
37	739,142	NET (SURPLUS) / DEFICIT	(456,700)	491,340

LINE NO.	2013/14 ACTUAL £	WORKING BALANCE ALLOCATION	2014/15 BUDGET £	2015/16 BUDGET £
1	898,095	General Working Balance	2,090,552	1,500,000
2	373,322	Capital Expenditure	-	-
3	83,586	Budget Carry Forwards	-	-
4	906,700	Special Projects	906,700	742,770
5	58,943	Agile Working IT Project	-	-
6	131,874	Service Charges	-	-
7	275,000	Self Insurance	275,000	275,000
8	2,727,520	WORKING BALANCE	3,272,252	2,517,770



Tenants Of Lewes District

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6th January 2015

Andy Chequers
Lewes District Council
Southover House
Lewes
East Sussex

6th January 2015

Dear Andy

I am writing to extend our thanks to yourself and the LDC Finance team following our meeting on Monday 22nd December 2014. We felt that the meeting was particularly positive and were encouraged by the full and frank discussions and exchange of information.

I would like to take this opportunity to confirm that, although we would prefer no rent rise at all (considering the cost of living increase and wages not moving in the same direction) we as a committee agree that the proposed increase is fair, taking into account the aims set out within the business plan and the desire to reach convergence with target rents as set out by government guidelines.

As a committee, we remain very committed to the provision of truly affordable housing throughout the district and look forward to working with officers and councillors closely to help ensure retention and further provision.

Yours sincerely

Nikki Plummer
Vice Chair, Tenants of Lewes District

Agenda Item No: 10.4 **Report No:** 20/15
Report Title: The Capital Programme 2014/2015 to 2017/2018
Report To: Cabinet **Date:** 12 February 2015
Cabinet Member: Councillor Andy Smith
Ward(s) Affected: All
Report By: John Magness, Director of Finance
Contact Officer(s):
Name(s): Stephen Osborne
Post Title(s): Principal Accountant
E-mail(s): stephen.osborne@lewes.gov.uk
Tel No(s): 01273 471600

Purpose of Report:

To recommend to Council the revised 2014/2015 Capital Programme, the 2015/2016 Capital Programme, the outline Capital Programme 2016/2017 to 2017/2018 and the associated Prudential Indicators.

Officers Recommendation(s):

- 1** To approve the revised 2014/2015 Capital Programme of £16.594m at Appendix 1 and recommend it to Council.
- 2** To approve the 2015/2016 Capital Programme of £15.666m at Appendix 2 and recommend it to Council.
- 3** To approve the outline Capital Programme 2016/2017 to 2017/2018 of £15.031m at Appendix 2 and recommend it to Council.
- 4** To approve the Prudential Indicators in respect of the Capital Programme detailed in paragraph 7, and recommend to Council that they are adopted for 2015/2016.

Reasons for Recommendations

- 1** As part of the annual budget cycle the Cabinet considers what level of capital support to allocate to its Policy Programme. It also considers the medium term position in relation to likely capital needs and available resources. The Council's Constitution requires Cabinet to make a recommendation to Council on the level of the Capital Programme budget.
- 2** Part 1 of the Local Government Act 2003 introduced a framework for local authority capital expenditure and financing, the 'Prudential Capital Finance System'. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, which define this system, requires local authorities to follow

the 'Prudential Code for Capital Finance in Local Authorities' (the Prudential Code) when taking their decisions. The Prudential Code requires authorities to set a number of 'Prudential Indicators' before the beginning of each financial year.

3 Prudential Capital Finance System

- 3.1** The Local Government Act 2003 introduced a framework for local authority capital finance. The key feature of the system is that local authorities are free to raise finance for capital expenditure where they can afford to service the resulting debt.
- 3.2** Local authorities are able to borrow to finance capital expenditure without any limit being imposed by the Government for non-Housing Revenue Account schemes. However, the Secretary of State does have the power to intervene if the national total of intended local authority borrowing is unacceptable 'for national economic reasons'.
- 3.3** In the case of capital expenditure in respect of council housing, the Government considers that it is necessary, due to the current fiscal position, to maintain control on authorities' debt. The Localism Act 2011 contains provisions to limit an authority's housing indebtedness (a Debt Cap). The Debt Cap restricts the ability of an authority to take on additional borrowing in respect of its housing stock even if that borrowing is affordable by its Housing Revenue Account (HRA). The Government has set this Council's Debt Cap at £72.931m, with an increase to £75.248m permitted if new build schemes on 7 sites proceed as planned.
- 3.4** In determining how much borrowing is 'affordable' local authorities are required to have regard to the Prudential Code. The Prudential Code does not set out in detail how authorities should calculate their own level of borrowing, but provides an overall framework within which local authorities must ensure that their capital spending plans are prudent, affordable and sustainable.
- 3.5** In following the framework of the Prudential Code, every local authority is required to set a number of 'Prudential Indicators' before the start of the financial year. These indicators cover capital expenditure plans, the impact of those plans on revenue budgets, and the link between the need to borrow to finance those plans and the Council's overall Treasury Management strategy.
- 3.6** The Prudential Code makes it clear that the Prudential Indicators are not designed to be compared between authorities and explains that it would be misleading and counter-productive to treat them in this way. The system is designed to support local decision-making in a manner that is publicly accountable.
- 3.7** Capital Receipts from the sale of houses and flats under the Right to Buy scheme are a key source of funding for capital expenditure. Regulations specify that these receipts are divided into four elements as shown in the table below. The amounts shown are for illustration and relate to the five properties sold by the Council in the six months of 2014/2015.

	1 April to 30 Sept 2014	
	£	%
Core receipts retained to fund capital expenditure	77,777	17.2
Receipts retained for the repayment of HRA debt	91,325	20.1
Receipts paid to the Government	179,784	39.6
Additional receipts retained to fund new affordable housing	104,614	23.1
Total	453,500	100.0

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

4 Capital Programme 2014/2015

4.1 The Capital Programme is an allocation of resources (principally capital receipts from the sale of assets, grants or contributions received with specific conditions attached, and reserves) to projects relating to the major repair, enhancement or purchase of long-term assets. In many cases these projects will span financial years.

4.2 The 2014/2015 Capital Programme is set out in Appendix 1 (lines 1 to 104), with a total value of £16.594m. As noted above, for completeness, this includes the full cost of implementing new capital schemes although some of the expenditure will fall into 2015/2016 and, potentially, later years.

4.3 Five amendments are proposed to the 2014/2015 Capital Programme:

4.3.1 The Government supported Mortgage Rescue Scheme (Line 20 Col [f]) has now ceased and the provision of £175,700 can be removed from the Capital Programme.

4.3.2 The Coastal Defence Works Implementation Plan (Newhaven Western Arm to Brighton Marina) has been approved by the Environment Agency in the sum of £73,000 (Line 59 Col [f]). This is fully funded by Environment Agency grant.

4.3.3 To align the budget with available resources, the Computer and IT Replacement Programme (Line 67 Col [f]) has been reduced by £65,000, with £50,000 being deferred to 2015/2016. This programme is funded from the Revenue Equalisation & Asset Management Reserve.

4.3.4 A recent survey has indicated that significant structural works are required to Southover Grange Depot. The estimated cost of emergency remedial works is £20,000 (Line 78 Col [f]), which can be funded from the general budget provision for Asset Backlog Repairs (Line 75 Col [f]).

4.3.5 The ageing water and heating system at the Stanley Turner Pavilion requires renewal to modern standards. The estimated

cost is £40,000 (Line 79 Col [f]), which can be funded from the general provision for Asset Backlog Repairs (Line75 Col [f]).

5 Resources to support the future Capital Programme

5.1 The following table sets out a projection of the resources which will be available at 1 April 2015 to fund capital expenditure.

Line		£'000
1	<i>Resources for the HRA Programme</i>	
2	- Major Repairs Reserve	4,525
3	- Capital Expenditure Financed from Revenue	820
4	Sub-total HRA	<u>5,345</u>
5	<i>Resources for the General Fund Programme</i>	
6	- DCLG Disabled Facilities Grant	379
7	Sub-total General Fund	<u>379</u>
8	<i>Capital Receipts</i>	3,592
9	Total	<u>9,316</u>
<p>Note: In addition, the Council's earmarked reserves can be used to support capital expenditure (e.g. Vehicle Renewals Reserve).</p>		

Line 2 – Major Repairs Reserve (MRR): The contribution into the Reserve each year is based on the annual depreciation charge in respect of HRA assets. The contribution in 2015/2016 will be £4.421m. At 1 April 2015, the balance of MRR received in previous years, but not yet used, is expected to be £0.727m.

Line 3 - HRA Revenue Contribution: This is the level proposed in the Housing Revenue Account budget for 2015/2016.

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

Line 8 - Capital Receipts: These are available to support either the General Fund or Housing Revenue Account capital programmes and Cabinet has previously agreed that they should be allocated according to spending priorities. The total shown is the expected balance at 1 April 2015, with no account taken of any receipts that may be received in 2015/2016 or subsequent years. In accordance with the Key Principle number 4 of our Finance Strategy which is shown in the General Fund Revenue budget report we only include capital receipts when they “are banked”.

5.2 Retained receipts from Council House Right to Buy Sales must be spent on new affordable housing, but can only be used to fund a maximum of 30% of the cost of the new homes. The retention scheme was implemented on 1 April 2012 and since that date receipts with a total value

of £1.427m have been initially retained requiring spending of £4.757m on new affordable homes.

Of this amount, £1.419m was spent on the acquisition and commissioning of 12 flats at The Crest; £0.246m on additional units at 2 Ashington Gardens & 63 Meeching Road; and £3.092m has been committed towards the construction of 30 new dwellings on former garage sites, referred to elsewhere in this report.

- 5.3** Cabinet has previously determined that as Disabled Facility Grants are mandatory, they should be the first call on available funds, with any remaining core housing receipts used to pay for other elements within the Private Sector Housing Renewal programme (e.g. energy efficiency initiatives).
- 5.4** Cabinet will need to consider how to provide a housing capital programme that strikes a reasonable balance between maintaining the Council's own housing stock and its wider duty to provide private sector housing assistance.
- 5.5** General Fund Reserves are also available to fund either revenue or capital expenditure.
- 5.6** The table in paragraph 5.1 shows the main resources that are available to fund capital expenditure, other than borrowing.
- 5.7** Under the Prudential Borrowing regime the only cap on General Fund Borrowing is one of affordability to the taxpayer. The Housing Revenue Capital Programme on the other hand is constrained by a borrowing cap. There is currently £8.1m of borrowing headroom available and this will be fully utilised on the Property and Regeneration project (known as the 49 sites). This project also requires all of the available capital receipts generated to be recycled back into paying for delivery of more Council owned homes within that project.
- 5.8** The Property and Regeneration Project will be built into the Capital Programme following signing of the Development Agreement.

6 Capital Programme 2015/2016 to 2017/2018

- 6.1** The Prudential Code requires local authorities to plan their capital expenditure programme for at least three years ahead. The most detailed information is available for year 1, with the programme for years 2 and 3 liable to variation when more precise forecasting can be undertaken in terms of both the availability of capital resources and spending requirements.
- 6.2** The Government continues to maintain control of borrowing for local authority housing. The Council's bid for additional borrowing of £2.317m, to finance construction of thirty new dwellings, was successful. The additional allocation increases the Housing Revenue Account 'Debt Cap'
- 6.3** Following the Council's successful bid for additional borrowing (£2.317m), the Housing Revenue Account borrowing limit is now capped at £75.248m.

Actual borrowing at 1 April 2015 is projected to be £64.790m, leaving borrowing headroom of £8.141m. There is no capped limit set by the Government for the General Fund.

- 6.4** The recommended Capital Programme for 2015/2016 to 2017/2018 is set out in Appendix 2. It should be noted that the items shown for 2016/2017 and 2017/2018 are provisional at this stage, as explained in paragraph 6.1.

6.5 Housing Capital Programme

- 6.5.1** The proposed three year Housing Capital Programme is shown at Appendix 2 (lines 1 to 35), with a total value of £10.082m in 2015/2016.
- 6.5.2** Those items which relate to the construction of new dwellings (Appendix 2 - lines 3 to 10) are consistent with Council's successful bid to Government to construct thirty new dwellings.
- 6.5.3** Those items which relate to improving the Council's own housing stock and other works (Appendix 2 - lines 11 to 26) are consistent with the Housing Business Plan and have been discussed with Tenants' representatives. The total HRA Capital Programme is £9.347m, and is funded by borrowing (£2.502m), Capital Receipts (£1.500m), the Major Repairs Reserve (£4.525m) and the Revenue Account (£0.820m).
- 6.5.4** The mandatory Disabled Facilities Grants programme in 2015/2016 is £0.600m (line 30) and provides aids and adaptations for disabled persons to live independently in their own homes. The Government continues to reiterate its commitment to Disabled Facilities Grants and has a ring-fenced National Budget for this programme. The Council's allocation for the forthcoming year is estimated at £0.379m.
- 6.5.5** It is proposed to continue the programme of Emergency Repair Grants (£0.015m), Home Trust Loans (£0.060m) and 'Keep Warm in Winter' (£0.060m) (lines 31 to 33).
- 6.5.6** The Council is contributing £0.356m in 2015/2016 from its own resources (Capital Receipts) to deliver the General Fund Housing Capital programme.

6.6 General Fund Capital Programme

- 6.6.1** The Non-Housing Programme (Appendix 2, lines 36 to 44) has a proposed value in 2015/2016 of £5.584m. This excludes any provision that Cabinet may make available when it agrees the General Fund Revenue Budget for 2015/2016.
- 6.6.2** The Photovoltaic Panel Housing Installation Programme, as agreed by Cabinet, is included at £2.700m (line 37).

- 6.6.3** The New Service Delivery Model Technology Programme, as agreed by Cabinet, is included at £2.250m (line 38), spread over 2015/2016 and 2016/2017. This project is at the pre-tender stage, and the total cost and phasing is likely to change.
- 6.6.4** An allocation of £1.334m (line 39) is included for the vehicle and plant replacement programme. This programme is cyclical depending on the life of individual vehicles.
- 6.6.5** A general provision for the replacement of computer hardware is included in the 2015/2016 capital programme at £0.050m (line 40). The funding requirement for future years will be assessed in the light of investment in new technology shown in line 38.
- 6.6.6** A general provision for backlog repairs to Corporate Buildings is included in the forward three year capital programme at £0.150m (line 42).
- 6.6.7** A provision of £0.050m (line 43) is included for refurbishment work to Newhaven Fort, as agreed with WAVE Leisure who will be operating the Fort under a management agreement with the Council.
- 6.6.8** Other items that are intended to be wholly funded from external sources such as planning section 106 developer contributions or grants will be reported to Cabinet as they arise.
- 6.6.9** The General Fund Capital Programme 2015/2016 is funded from new borrowing (£2.700m), Vehicle Replacement Reserve (£1.334m), Revenue Equalisation and Asset Maintenance Reserve (£0.200m), Change Management & Spending Power Reserve (£1.300m) and the Newhaven Fort Refurbishment Reserve (£0.050m).

7 Prudential Indicators

- 7.1** As noted in section 3 above, the Prudential Framework requires local authorities to ensure that their capital expenditure plans are affordable and sustainable in the longer term. A key element in making this judgment is the impact that the capital expenditure plans will have on the General Fund and the Housing Revenue Account.
- 7.2** The impact of the proposed Capital Programme set out in Appendix 2 is shown in the table below. The effect on both the General Fund and Housing Revenue Account is considered to be affordable. There will be no impact on affordability by the introduction of any new schemes in to the programme, provided that they are fully funded from external sources.

	Total Cost General Fund £'000	Impact on Council Tax Band D £	Total Cost HRA £'000	Impact on Rents per week £
2014/15	1,328	38.30	1,403	8.31
2014/15 (Revised)	3,439	99.19	688	4.10
2015/16	2,952	84.39	996	5.93
2016/17	1,875	53.60	938	5.59
2017/18	626	17.90	938	5.59

The above table has been calculated taking into account:

- capital expenditure directly funded from revenue
- capital expenditure funded from reserves (which could otherwise have been used for revenue purposes)
- the loss of potential investment income which could have been earned had funds not been used to finance the capital programme
- in 2015/2016 and 2016/2017 the costs shown relate to the recurring effects of the 2014/2015 programme only
- the 2015/2016 tax base has been used in the calculations for 2016/2017 onwards

7.3 The Prudential Code requires the Council to set a number of 'Prudential Indicators' in respect of its proposed capital programme, including those referred to in 7.2 above. The indicators derived from the capital programme at Appendix 2 are as follows.

7.3.1 Estimates of Capital Expenditure

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

No	Capital Expenditure	2014/15 Estimate £m	2014/15 Revised £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m
1a	Non-HRA	2.063	10.714	6.319	2.610	1.361
1b	HRA	5.683	5.880	9.347	5.530	5.530
	Total	7.746	16.594	15.666	8.140	6.891

7.3.2 Ratio of Financing Costs to Net Revenue Stream

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

No	Ratio of Finance Costs to Net Revenue Stream	2014/15 Estimate %	2014/15 Revised %	2015/16 Estimate %	2016/17 Estimate %	2017/18 Estimate %
2a	Non-HRA	0.95	0.95	0.95	1.58	1.50
2b	HRA	21.51	21.21	20.69	20.69	20.69

7.3.3 Capital Financing Requirement

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

No	Capital Financing Requirement	2014/15 Approved £m	2014/15 Revised £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m
3a	Non-HRA	4.512	5.919	8.421	8.123	7.837
3b	HRA	65.779	64.790	65.613	64.119	62.624
	Total CFR	70.291	70.709	74.034	72.242	70.461

7.3.4 Incremental Impact of Capital Investment Decisions

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

No	Incremental Impact of Capital Investment Decisions	2014/15 Approved £	2014/15 Revised £	2015/16 Estimate £	2016/17 Estimate £	2017/18 Estimate £
5a	Increase in Band D Council Tax	38.30	99.19	84.39	53.60	17.90
5b	Increase in Average Weekly Housing Rents	8.31	4.10	5.93	5.59	5.59

Financial Implications

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

Legal Implications

9 None arising from this Report.

Sustainability Implications

10 I have not completed the Sustainability Implications Questionnaire as this Report is exempt from the requirement because it is a budget/financial monitoring report.

Risk Management Implications

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

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

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

Equality Screening

- 12** The equality screening process for this Report took place in January 2015. No potential negative impacts were identified.

Background Papers: None

Appendices: Appendix 1 Revised Capital Programme 2014/2015
Appendix 2 Proposed Capital Programme 2015/2016 to 2017/2018

[a] Line No	[b]	[c] Original Programme 2014/15 £	[d] Programme B/Fwd from 2013/14 £	[e] Approved Programme Variations £	[f] Proposed Programme Variations £	[g] Revised Programme 2014/15 £
1	HRA HOUSING INVESTMENT CAPITAL PROGRAMME					
2	Improvements to Stock					
3	- Kitchen & Bathroom Renewals	680,000				680,000
4	- Heating Improvement Programme	1,300,000				1,300,000
5	- Electric Heating Sustainable Replacement	700,000				700,000
6	- Window & Door Replacement Programme	700,000				700,000
7	- Rewiring Programme	100,000				100,000
8	- Roofing & Chimney Works	450,000				450,000
9	- Structural Works	100,000				100,000
10	- Minor Insulation & Other Sundry Housing Works	100,000				100,000
11	- Fire Precaution Works	150,000	100,000			250,000
12	Adaptations for Disabled Tenants	430,000				430,000
13	Digital TV Aerial & Cabling Works	100,000				100,000
14	Environmental Improvements	110,000				110,000
15	Refurbishment of Council Owned Garages & Fencing	110,000				110,000
16	Housing Estates Recreation and Play Areas	40,000	10,000			50,000
17	Churchill House, Seaford (Lift Replacement)		60,000			60,000
18	Rooms in Roof Conversions	204,720	105,149			309,869
19	Door Entry Security Systems	50,000	98,173			148,173
20	Mortgage Rescue Scheme	175,700			(175,700)	
21	Right to Buy Buy Back Scheme	182,100				182,100
22	Total HRA Housing	5,682,520	373,322		(175,700)	5,880,142
23	GRA HOUSING INVESTMENT CAPITAL PROGRAMME					
24	- Emergency Repair Grants	15,000				15,000
25	- Empty Homes Initiative		10,540			10,540
26	- Energy Efficiency Advice		12,466			12,466
27	- Fuel Poverty Grants		9,360			9,360
28	- Keep Warm in Winter	60,000	48,872			108,872
29	- Mandatory Disabled Facilities Grants	600,000	153,135			753,135
30	- Home Trust Loans	60,000	44,415			104,415
31	Total General Fund Housing	735,000	278,788			1,013,788
32	Total Housing Capital Programme	6,417,520	652,110		(175,700)	6,893,930
33	GENERAL FUND CAPITAL PROGRAMME					
34	WAVE Leisure Trust					
35	Environmental Improvements		11,630			11,630
36	Lewes Leisure Centre (Roof Replacement)			88,000		88,000
37	WAVE Energy Saving Initiatives		90,210			90,210
38	Recreation Services					
39	Lewes - Convent Field Play Area & Landscaping		81,208			81,208
40	Lewes - Southover Grange Maintenance Programme		46,750			46,750
41	Lewes - Stanley Turner Recreation Ground Improvements		112,400			112,400
42	Lewes - Streamside Fencing, Southover Grange Gardens		18,000			18,000
43	Newhaven - Harbour Heights Play Area		39,000			39,000
44	Seaford - Aquilla Park Play Equipment		50,890			50,890
45	Peacehaven - Sports Pavilion, Pitches & Parking		402,205			402,205
46	Plumpton - Plumpton Playground			49,700		49,700
47	Seaford - Downs Play Area Equipment & Landscaping		4,520			4,520
48	Seaford - Micklefield Open Space Landscaping & Play Area		6,910			6,910
49	Seaford - Walmer Road Play Area Equipment		9,385			9,385
50	Flint Walls Repair		12,906			12,906
51	The Maltings, Castle Precincts, Lewes					
52	The Maltings			390,000		390,000
53	The Maltings Car Park			182,000		182,000
54	Planning & Economic Development					
55	Flood Protection Schemes at Landport & Malling Deanery		4,870			4,870
56	Coastal Defence Works					
57	Option Study Unit 13B - Groynes 18 & 19)		8,711			8,711
58	Newhaven Western Arm / Brighton Marina Scoping Study		14,885			14,885
59	Newhaven Western Arm / Brighton Marina Implementation Plan				73,000	73,000
60	Electric Vehicle Charge Points			1,822,000		1,822,000
61	Newhaven Fort Refurbishment			36,500		36,500
62	Newhaven Fort, Safety Works		2,970	(2,970)		

[a] Line No	[b]	[c] Original Programme 2014/15	[d] Programme B/Fwd from 2013/14	[e] Approved Programme Variations	[f] Proposed Programme Variations	[g] Revised Programme 2014/15
		£	£	£	£	£
63	Disability Discrimination Act Works		3,850			3,850
64	University Technical College Contribution	1,683,000		(50,000)		1,633,000
65	Newhaven Growth Quarter Project			2,225,000		2,225,000
66	Corporate Services					
67	Computer & IT Replacement Programme	50,000	105,027		(65,000)	90,027
68	Lewes House Site - Redevelopment Project		6,800			6,800
69	Agile Working Project		70,505			70,505
70	Agile Working - Information Technology		114,652			114,652
71	Agile Working - Southover House Refurbishment			7,320		7,320
72	Agile Working - Contingency		45,420	(7,320)		38,100
73	Agile Working - Newhaven Shared Facility		894,310			894,310
74	Corporate Buildings Capital Works					
75	Asset Backlog Repairs	150,000	397,140	(11,750)	(60,000)	475,390
76	Lewes Cemetery Chapel		12,640	32,360		45,000
77	Lewes House External Works		57,120			57,120
78	Southover Grange Depot (Structural Works)				20,000	20,000
79	Stanley Turner Pavilion (Water/ Heating System Renewal)				40,000	40,000
80	Walmer Road Recreation Ground (Football Changing Rooms)			1,200		1,200
81	Food Waste Collection		177,112			177,112
82	Vehicle & Plant Replacement Programme	245,000				245,000
83	Total General Fund Capital Programme	2,128,000	2,802,026	4,762,040	8,000	9,700,066
84	TOTAL OVERALL CAPITAL PROGRAMME	8,545,520	3,454,136	4,762,040	(167,700)	16,593,996
85	CAPITAL PROGRAMME FUNDING					
86	Borrowing					1,121,830
87	Capital Receipts					1,299,243
88	Grant - DCLG Disabled Facilities					392,491
89	Grant - DCLG Coastal Communities Fund					1,900,000
90	Grant - Department for Transport					1,822,000
91	Grant - EA Coast Protection					101,466
92	Grant - DECC Fuel Poverty Grant					9,360
93	Reserve - Change Management					1,723,210
94	Reserve - HRA Major Repairs					5,120,835
95	Reserve - Newhaven Fort Refurbishment					14,750
96	Reserve - Revenue Equalisation & Asset Management					942,905
97	Reserve - Strategic Priority Fund					175,000
98	Reserve - Vehicle Replacement					422,112
99	Reserve - WAVE Leisure Trust					75,870
100	Capital Expenditure Financed from Revenue (General Fund)					1,200
101	Capital Expenditure Financed from Revenue (Housing)					614,720
102	Planning (Section 106) Contributions					636,933
103	Other External Contributions					220,071
104	TOTAL CAPITAL PROGRAMME					16,593,996

Line No.		2015/16 £	2016/17 £	2017/18 £	Total £
1	HOUSING CAPITAL PROGRAMME				
2	HRA Housing Investment Capital Programme				
3	Construction of New Dwellings				
4	- Balcombe Road, Peacehaven	759,830	-	-	759,830
5	- Grassmere Court, Telscombe Cliffs	506,550	-	-	506,550
6	- Headland Way, Peacehaven	506,550	-	-	506,550
7	- Hythe Crescent, Seaford	235,340	-	-	235,340
8	- Rectory Close, Newhaven	1,013,110	-	-	1,013,110
9	- Valley Road, Newhaven	506,550	-	-	506,550
10	- Waldshut Road, Lewes	289,160	-	-	289,160
11	Improvements to Stock				
12	- Kitchen & Bathroom Renewals	600,000	600,000	600,000	1,800,000
13	- Gas Heating Improvements	1,000,000	1,000,000	900,000	2,900,000
14	- Heating Sustainable Replacement	1,200,000	1,200,000	1,500,000	3,900,000
15	- Window & Door Replacement	600,000	600,000	600,000	1,800,000
16	- Electrical Rewiring	100,000	100,000	100,000	300,000
17	- Roofing & Chimney Works	650,000	650,000	450,000	1,750,000
18	- Structural Works	105,000	105,000	105,000	315,000
19	- Insulation Improvements	70,000	70,000	70,000	210,000
20	- Fire Precaution Works	300,000	300,000	300,000	900,000
21	Adaptations for Disabled Tenants	350,000	350,000	350,000	1,050,000
22	Door Entry Security Systems	50,000	50,000	50,000	150,000
23	Rooms in Roof Conversions	150,000	150,000	150,000	450,000
24	Environmental Improvements	120,000	120,000	120,000	360,000
25	Recreation & Play Areas	50,000	50,000	50,000	150,000
26	Buy Back of Right to Buy Properties	185,000	185,000	185,000	555,000
27	Total HRA Housing	9,347,090	5,530,000	5,530,000	20,407,090
28	General Fund Housing Investment Capital Programme				
29	Private Sector Housing Grants				
30	- Mandatory Disabled Facilities Grants	600,000	600,000	600,000	1,800,000
31	- Emergency Repairs Grants	15,000	15,000	15,000	45,000
32	- Home Trust Loans	60,000	60,000	60,000	180,000
33	- Keep Warm in Winter	60,000	60,000	60,000	180,000
34	Total General Fund Housing	735,000	735,000	735,000	2,205,000
35	Total Housing Capital Programme	10,082,090	6,265,000	6,265,000	22,612,090
36	GENERAL FUND CAPITAL PROGRAMME				
37	Photovoltaic Panel Housing Installation Programme	2,700,000	-	-	2,700,000
38	New Service Delivery Model Technology	1,300,000	950,000	-	2,250,000
39	Vehicle & Plant Replacement Programme	1,334,000	725,000	426,000	2,485,000
40	Computer Hardware Replacement Programme	50,000	-	-	50,000
41	Corporate Buildings				
42	Asset Backlog Repairs	150,000	150,000	150,000	450,000
43	Newhaven Fort Refurbishment	50,000	50,000	50,000	150,000
44	Total General Fund Capital Programme	5,584,000	1,875,000	626,000	8,085,000
45	TOTAL CAPITAL PROGRAMME REQUIREMENT	15,666,090	8,140,000	6,891,000	30,697,090
46	FUNDING AVAILABILITY				
47	Borrowing - HRA	2,502,090	185,000	185,000	2,872,090
48	Borrowing - General Fund	2,700,000	-	-	2,700,000
49	Useable Capital Receipts	1,855,750	355,750	355,750	2,567,250
50	Grant - DCLG Disabled Facilities	379,250	379,250	379,250	1,137,750
51	Reserve - Change Management & Spending Power	1,300,000	950,000	-	2,250,000
52	Reserve - Major Repairs Reserve	4,525,000	4,525,000	4,525,000	13,575,000
53	Reserve - Newhaven Fort	50,000	50,000	50,000	150,000
54	Reserve - REAM	200,000	150,000	150,000	500,000
55	Reserve - Vehicle Replacement	1,334,000	725,000	426,000	2,485,000
56	Capital Expenditure Financed from Revenue - HRA	820,000	820,000	820,000	2,460,000
57	Contributions	-	-	-	-
58	Total Funding Availability	15,666,090	8,140,000	6,891,000	30,697,090

Agenda Item No: 10.5 **Report No:** 21/15
Report Title: LASER Energy Flexible Framework Renewal
Report To: Cabinet **Date:** 12th February 2015
Cabinet Member: Cllr Andy Smith
Ward(s) Affected: All Wards
Report By: Alan Osborne, Director of Corporate Services
Contact Officer(s)-
Name(s): Bee Lewis
Post Title(s): Head of Property and Facilities
E-mail(s): Bee.lewis@lewes.gov.uk
Tel No(s): 01273 611101

Purpose of Report:

To extend the LASER Flexible Framework contract for the supply of electricity and gas to LDC premises.

Officers Recommendation(s):

- 1 To approve Option 1, being the recommendation to extend the LASER Flexible Framework for four years for the period 1st October 2016 to 30th September 2020 and to continue to purchase energy using the Purchase in Advance and Purchase Within Period procurement options.
-

1. Reasons for Recommendations

1.1 LASER's current flexible procurement frameworks for the supply of gas and electricity expire 30 September 2016. LASER has now completed an OJEU compliant tender and award process for the supply of electricity and gas, and has confirmed the appointment of Npower (electricity) and Total Gas and Power (gas) respectively for the period October 2016 – September 2020.

1.2 LASER are seeking customer commitment for the new frameworks by December 2014, with energy purchases commencing from 1 January 2015 onwards. Where a customer provides commitment to join the framework after 1 January 2015, energy purchases will commence for that customer's portfolio once their commitment is received.

2. Background

- 2.1** LASER is a public sector energy buying group and part of Kent County Council's Commercial Services division.
- 2.2** LASER was founded in 1989 to manage the procurement opportunities created by the deregulation of the gas and electricity markets. LASER purchases energy on behalf of 115 Local Authorities and 45 wider public sector bodies.
- 2.3** LASER has operated flexible energy supply contracts on behalf of the public sector since 2008. The current framework contracts expire 30 September 2016. LASER is seeking customer commitment to join the replacement frameworks commencing 1 October 2016.
- 2.4** LASER are putting in place the new flexible supply frameworks now in order to maintain an effective risk-management approach to energy requirements beyond October 2016. Having a forward purchasing window allows LASER to continue buying energy on behalf of its customers in response to any potential market price changes.
- 2.5** Kent County Council (KCC) is the 'Contracting Authority' for the flexible energy supply contracts operated by LASER. The energy supply contracts are procured through OJEU compliant tender processes. KCC is a 'Central Purchasing Body' ('CPB'), as specified in the Public Contract Regulations 2006. As such, other public sector bodies are able to use the energy supply contracts without having to run separate OJEU tender processes for either the appointment of energy suppliers or LASER's contract management services.
- 2.6** Following a robust and competitive procurement process, Kent County Council has awarded the frameworks to the winning bidders, Npower and Total GP (Gas). Npower and Total GP are the incumbent framework providers for electricity and gas respectively.

3. Information

- 3.1** LASER currently supplies the majority of all the Council's electricity and gas through the existing LASER flexible procurement frameworks via two procurement basket options:

- 1) Flexible Purchase in Advance (PIA) and
- 2) Flexible Purchase within Period (PWP).

A few accounts remain with other suppliers, but there are plans to transfer them to LASER once the contract period allows.

- 3.2** The LDC annual demand for its LASER portfolio is 16,479,549 kWh; derived from:-
Gas PIA - 6,072,850 kWh

Gas PWP - 275,033 kWh
Electricity Half Hourly PIA - 121,468 kWh
Electricity Non Half Hourly Quarterly PIA - 9,358,023 kWh
Electricity Unmetered Supplies PIA - 652,175 kWh

- 3.3** LASER state that by purchasing energy through them; LDC has been able to save an estimated £35.8k per annum of cost avoidance on energy buying.
- 3.4** There are broadly three options for the future purchase of energy:

Option 1 is the same as the current arrangement operating under the current flexible supply framework with LASER.

- A four-year flexible supply agreement will be entered into between Kent County Council and the successful supplier(s).
- LDC would then sign a tripartite agreement (side agreement) for the duration of the four-year framework. The tripartite is executed by LDC, the supplier(s) and Kent County Council.
- The tripartite provides authority to LASER to purchase LDC's energy requirements for the duration of the four-year agreement.

Option 2: Rolling Two-Year Commitment under the flexible supply framework with LASER.

- Option 2 provides an alternative approach for Council's who may not be able to commit to the full four year framework duration. Council's utilising this agreement are delegating authority to LASER to purchase future energy requirements on a rolling two-year basis. The agreement continues indefinitely unless terminated. The framework energy suppliers are subject to change every 4 years.
- A bilateral agreement would be entered into between Kent County Council and LDC. This permits LASER to forward purchase energy requirements on behalf of LDC from the successful supplier(s). It also commits LDC to the prevailing framework conditions.
- LDC could issue a termination and the effective termination date would be the first contract anniversary after 2 years has elapsed.

For example, if LDC issued a termination notice in June 2016, LASER would cease to purchase the Council's energy requirements for the contract period commencing 1 October 2018 onwards.

- LASER will periodically tender for new framework energy suppliers to ensure continuity of supply. If LDC does not provide a termination notice, LASER would continue to purchase LDC's energy requirements from any replacement framework providers.
- LASER would only forward purchase LDC's energy requirements for the period that was committed to (i.e. the period covered by the rolling

agreement). This effectively gives a smaller forward purchase window compared to Option 1.

Option 3: LDC does not have to procure its energy via LASER but could procure it via one of a number of alternative solutions; these include but are not limited to the following.

a) Procure energy direct from energy supplier(s). This option has not been considered, as although LDC has a reasonable size energy portfolio, it is mainly derived from numerous small supplies i.e. TV amplifiers etc. and LDC on its own would be unlikely to attract competitive rates compared to LASER.

b) Procure energy from another recognised service i.e. the Crown Procurement Service. Similar to the above option, the make-up of the LDC portfolio is unlikely to attract competitive rates compared to LASER. Those supplied via the Crown Procurement Service are usually large offices, NHS Trusts and buildings etc. It is unlikely that LDC would be able to benefit from the savings that LASER currently delivers.

c) Procure energy through another energy broker. This option has been partially explored but not progressed. After initial promises of huge savings, later discussions once the make-up of the portfolio is known again reduce the potential savings and benefits that LASER delivers.

It is recommended that procurement of future energy supplies continue through a tri-partite agreement with LASER under option 1, the four year framework.

3.5 LASER Basket Procurement

Within the framework contracts, LASER offer sub-options to Purchase In Advance (PIA) or Purchase Within Period (PWP). These sub-options are called baskets. For the forthcoming contract, LASER has introduced a further 4 baskets. The 6 baskets within each framework option available from 2016 are:-

1. Basket 1 - Flexible Purchase In Advance (PIA)
All volume will be purchased prior to delivery for each 12 month supply period.
2. Basket 2 - Flexible Purchase Within Period (PWP)
A proportion or all of the required volume will be purchased prior to delivery for each -month supply period and if applicable the remainder purchased within the supply period.
3. Basket 3 - Flexible Purchase Day Ahead (PDA)
A fixed volume will be purchased prior to delivery for each 6-month supply period with the remaining volume being left open to 'float' on the day ahead index.
4. Basket 4 - Flexible Set and Reset
proportion or all of the required volume will be purchased prior to delivery for each 12-month supply period and if applicable the remainder purchased within the supply period.
5. Basket 5 - Mechanistic Purchasing

Total energy volumes to be purchased in equally-sized blocks, once per month, in each of the 24 months, prior to the start of the supply year. This ensures the basket price will always be very close to average market price.

6. Basket 6 - Flexible Forward Lockout

All purchase volumes to be completed **6 months** in advance of each 12 month supply period.

It is recommended that the Council continues to purchase energy using baskets 1 and 2. Currently 100% of gas and 96% of electricity purchases are PIA.

Financial Appraisal

4. The 2013/14 annual expenditure for electricity, gas & LASER management costs were:-

1.1 Electricity (Npower) - £249,000

1.2 Gas (Total GP) - £96,000

1.3 LASER's cost to manage the LDC portfolio - £13,000

Legal Implications

5 The Legal Services Department has confirmed that the framework contracts competitively tendered via an OJEU notice by LASER were procured for and on behalf of the portfolio of local authorities, including LDC. Therefore LDC can access these frameworks on whichever option it deems most economically advantageous.

Sustainability Implications

6 Both Npower and Total GP like all energy suppliers provide an increasing volume of energy derived from sustainable sources.

Under the new frameworks there will additional benefits:-

Renewable Energy available for the entire portfolio covering the duration of the new frameworks through to September 2020. For the first year of supply, October 2016 – September 2017, this will also be offered at a 5% discount to the prevailing rate of CCL and at cost neutral for the remaining years.

Levy Exemption Certificate (LEC) 'Traceability' for electricity supply that is subject to CCL, enabling renewable sources to be identified including a full audit trail of LEC and REGO certificates. This may be beneficial for those requiring greater transparency for carbon and sustainability reporting.

Green Gas can be sourced directly from a producer and sleeved directly into the appropriate baskets and allocated against customer portfolios. The price paid for gas would be the price agreed with the producer, any third party costs incurred in transporting the gas as well as any applicable taxes or levies and supplier management fees.

Risk Management Implications

- 7 The energy markets are becoming ever increasingly more volatile and are subject to numerous external factors that can have huge negative impacts on energy costs.

These risks still exist within the LASER Framework contracts but are mitigated by the purchasing leverage a company of LASER's overall portfolio has, together with the 2 stage procurement approach of PIA & PWP.

Equality Screening

- 8 The recommendation has zero impact on equalities.

Background Papers

- 9 None

Agenda Item No: 10.6 **Report No:** 22/15

Report Title: Service Level Agreements for Voluntary and Community Associations

Report To: Cabinet **Date:** 12 February 2015

Cabinet Member: Cllr Phil Howson

Ward(s) Affected: All

Report By: Nazeya Hussain, Director of Business Strategy and Development

Contact Officer(s)-

Name(s): Rachel Allan
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Purpose of Report:

To agree the Service Level Agreements, as listed in the appendices, including the level of funding awarded by the Council to voluntary and community organisations.

Officers Recommendations:

- 1** Subject to satisfactory completion of the state aid due diligence checks referred to in paragraph 13, to authorise the Director of Business Strategy and Development to enter into Service Level Agreements with Citizen's Advice Bureau, 3VA, Action in Rural Sussex and Sompriti based on the terms set out in paragraphs 4, 8, 9 and 10 of this report.
 - 2** To agree the level of funding for each organisation subject to an SLA with the Council for 2015/16 and satisfactory completion of the state aid due diligence checks referred to in paragraph 18.
 - 3** To agree an additional £13,400 be granted to the Citizen's Advice Bureau (CAB) to continue to fund a specialist benefits advisor at Newhaven in 2015/16 from Housing Revenue Account (HRA).
 - 4** To agree that any final, non-substantial changes to the SLAs (excluding funding changes) can be delegated to the Director of Business Strategy and Development.
-

Reasons for Recommendations

- 1** The Council has historically provided support to a number of strategic community and voluntary sector organisations, who provide a range of direct services to our residents.

Information

- 2** The Council recognises the significant contributions that the community and voluntary sector play in delivering services to our residents. Partnership working is a key priority for Lewes District, and the Council is committed to working with voluntary and community organisations through the giving of community grants. This helps support a thriving voluntary sector in Lewes District. In addition, the giving of funding to such groups can also provide a cost effective way of delivering the Council's objectives.
- 3** Historically, the Council has provided funding to a small number of voluntary and community organisations on a recurring basis, these being; the Citizen's Advice Bureau (CAB), 3VA, Action in Rural Sussex (AiRS) and Sompriti. These particular organisations have been funded because of the core role they play in enabling and supporting other parts of the community and voluntary sector (3VA and AiRS) or because of the unique advisory role they provide to those experiencing hardship or disadvantage (CAB and Sompriti).
- 4** Service Level Agreements (SLAs) provide certainty to organisations for a three year period. This enables them to plan ahead and ensure consistent delivery of service. The SLA also provides a mechanism for the Council to closely monitor the organisations' performance and delivery. The SLAs are agreements that specify the amount of funding, what activities it covers, legal requirements, monitoring and evaluation processes. All SLAs within this report will cover a three year period. Having the security of a 3 year SLA with the Council can also assist voluntary organisations in the leverage of further funding from other sources. It should be noted, however, that all SLAs contain clauses enabling review, termination and/or renegotiation of terms should the need for the service change or performance issues are encountered.
- 5** Following recommendations from the Scrutiny Review – Strengthening our relationship with the Voluntary and Community Sector - undertaken last year, work has been undertaken to review and improve the SLAs for the four voluntary organisations that the Council regularly funds.
- 6** The new draft SLAs (see appendix A-D) have been written to be proportionate with the level of funding awarded. Therefore the proposed SLAs for Sompriti and AiRS take a more light touch approach to monitoring and evaluation than do those for CAB and 3VA where the funding allocation is larger. However, in all instances, clear service levels and monitoring requirements are set out in the agreements.

Organisations receiving funding

CAB

- 7 The CAB helps people resolve their legal, money and other problems by providing free, independent and confidential advice. LDC currently provides around 82% of their core funding with the Town Councils across the district providing the remaining 18%.
- 8 As part of the Council's commitment to enhance the services we provide to our communities, we are seeking a three year plan to be produced by the CAB. This will outline a redesign of their current services to become better aligned with the demographic make-up of the district, with the full range of services provided in Lewes, Newhaven and Seaford and outreach provision elsewhere, whilst making use of shared accommodation to reduce office costs.

AiRS

- 9 AiRS is the Rural Community Council for Sussex. The organisation's purpose is to provide practical help and support to rural communities across both East and West Sussex enabling them to be vibrant, living and working places. The Council has reviewed the work undertaken by AiRS in the District and it has been agreed the future focus for work funded through the SLA should be on support to village halls and community buildings. This is reflected in the level of grant being awarded.

3VA

- 10 As a Council for Voluntary Service, 3VA provides support for voluntary and community organisations across the Eastbourne, Lewes District and Wealden areas of East Sussex. They provide a range of practical support to charities and community groups including start-up support, funding advice, help with governance and training. Their services help to sustain and develop the voluntary and community sector in the area.

Sompriti

- 11 Sompriti supports black and minority ethnic communities and individuals across East Sussex. They work with individuals from a range of different backgrounds and heritage, organising community events, and providing interpreting and translation services. Supporting this organisation financially assists the Council in fulfilling its equalities duties under the Equality Act 2010.

Funding Levels

- 12 The funding proposed for 2015/16 is detailed in the below table. Funding for the second and third year of the SLA period will be brought to Cabinet for consideration in future years.

Organisation	£ funded (14/15)	Proposed Funding £ (15/16)*
CAB	140,340	140,340
3VA	28,000	28,000
AiRS	7,000	3,500

Sompriti	10,000	10,000
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*This represents 0% increase from 2014/15.

Monitoring

- 13** For all the SLAs, close monitoring will be undertaken by officers. For the larger awards this will be quarterly, with smaller grants being considered less frequently. The recipients will be required to submit of both qualitative and quantitative data as well as attending regular meetings to explore performance with council officers. There is more detailed information regarding monitoring in the individual SLAs (see Appendices).
- 14** There will be a continued dialogue with Members as well as an annual report to Cabinet. The relevant Portfolio Holder has been consulted as part of this process, as well as Member representatives who hold a seat on the management bodies of the relevant organisations.

Reporting

- 15** Reports will be provided to Members on an annual basis which will provide information on performance and will make recommendations regarding future level of grant.

Other Funding

- 16** In 2014/15, £13,400 of additional funding was awarded to the CAB to fund a specialist benefits advisor at Newhaven. The CAB have requested that this funding be continued in 2015/16. This worker provides a high quality, professional service (which could not be provided by volunteers) in one of the most deprived areas of the District. Subject to Members views, this has been included in the SLA for 2015/16 (this is in addition to the £140,340 set out at Paragraph 7).

Financial Appraisal

- 17** The proposed funding amounts shown in the table at paragraph 7 are incorporated within the draft 2015/16 budgets reported to Cabinet elsewhere on this Agenda. The additional contribution to the CAB would be funded by the Housing Revenue Account and has been included in the 2015/16 draft budget at this stage. Should Cabinet not be minded to agree the additional contribution, there will be an increase in the Housing Revenue Account balance. The cost of services provided by Sompriti to the Council is shared over a number of General Fund and Housing Revenue Account budget heads.

Legal Implications

The Legal Services Department has made the following comments:

- 18** The proposed funding will come out of state resources. Prior to funding being given and completion of the SLAs the Council should carry out state aid due diligence checks to ensure that no unlawful state aid will be given to voluntary and community organisations.

Sustainability Implications

- 19** I have not completed the Sustainability Implications Questionnaire as this Report is exempt from the requirement because it is a progress report.

Risk Management Implications

- 20** I have completed a risk assessment. No new risks will arise if the recommendations are not implemented. The following risks will arise if the recommendations are implemented, and I propose to mitigate these risks in the following ways:

- a) Close monitoring of voluntary groups to ensure services are delivered.
- b) Funding only provided to groups if satisfied with relevant evaluation.

Equality Screening

- 21** Equalities screening was undertaken on 6 November 2014. As only positive implications were identified, a full equalities analysis is not required.

Background Papers

- 22** None

Appendices

- 23** Appendix A: Service Level Agreement for Citizen's Advice Bureau
Appendix B: Service Level Agreement for 3VA
Appendix C: Service Level Agreement for Action in Rural Sussex
Appendix D: Service Level Agreement for Sompriti

Draft Service Level Agreement – Lewes District Citizen’s Advice Bureau

This is an agreement between Lewes District Council and the Lewes and Seaford Citizens Advice Bureau.

Lewes District Council agrees to provide funding for the provision of core advice and information services by Lewes District Citizens Advice Bureau.

Introduction

The objective of the bureau is to provide free, confidential, impartial and independent advice to enable local residents to deal with a wide range of issues, including benefits, housing, money advice, employment, consumer, relationships, taxation and many more. The nature of the assistance provided will depend on a client’s needs and ranges from the provision of information to formal representation.

PART 1 – General Conditions

1.1 Parties

This is an agreement between the Lewes District Council (hereinafter call “the council”) and the Lewes District Citizens Advice Bureau (hereinafter called “the bureau”)

1.2 Object of Agreement

The council wishes to support the services of the bureau for the purpose of providing an information and advice service operated within both the aims, principles and policies of Citizens Advice and the Council’s ‘One District One Council’ approach to serving the needs of their residents, subject to an agreed grant and to a defined level of service.

1.3 Period of the Agreement

The agreement will commence on 1st April 2015 for a period of 3 years unless it is terminated.

1.4 The Parties Obligations

- a) The bureau agrees to provide the services specified in Part 2 of this agreement (Service Objectives and Specifications).
- b) The council agrees to make the grant payments specified in Part 3 of this agreement (Financial and resourcing arrangements).

1.5 Status of Agreement

It is not the intention of either party that this agreement shall be legally binding and therefore neither party shall have any liability to the other for any failure to observe the terms of this agreement.

1.6 Status of Service Provider

In carrying out this agreement, the bureau is acting in its own right as an independent organisation, and not as agents of the council.

1.7 Management

Responsibility for the management of the bureau is vested in the Trustee Board, the membership and operation of which is laid down by a constitution Memorandum and Articles of Association.

1.8 Parties' Representatives

The council and the bureau will each appoint a contact officer.

- a) The role of the council's contact officer is to:
 - Be the initial point of contact within the council for the bureau
 - Inform the bureau of any issues which may have an effect on the implementation of the service provision in this agreement.
 - Provide information, advice and support to the bureau as reasonably required.
 - Inform the bureau of any change in the council's contact officer.
- b) The role of the bureau's contact officer is to provide the information required in Part 4 of this agreement and to inform the council's contact officer, in writing, if there is:
 - A proposal by the bureau to change or reduce the core services set out in Part 2 of this agreement;
 - Any amount to be taken into account under 3.2b (this must be notified by 1st February for the following financial year)
 - A major change to the bureau's financial budget;
 - A change to the bureau's constitution; or
 - A change in the bureau contact officer.
- c) Both contact officers will be required to set up an annual monitoring meeting, and other meetings following quarterly monitoring when required, to consider the information set out in Part 4 of this agreement.
- d) The parties' contact officers will be Rachel Allan of the Council and Jackie Wilkes, District Manager, of the bureau.

1.9 Confidentiality

The council accepts that the bureau offers a confidential service and that all matters raised by individual clients are kept confidential.

1.10 Staffing

- a) Paid and volunteer staff will be recruited and selected with full regard to an equal opportunities policy, safeguarding policy and procedures approved by Citizens Advice.
- b) Paid staff will be employed and remunerated with full regard to Citizens Advice Guidelines.

1.11 QUALITY ASSURANCE

The bureau undertakes to operate the quality assurance systems described in Part 2 of this agreement.

1.12 HEALTH AND SAFETY

The Bureau shall have regard to the requirements of the health and Safety at work Act, 1974 and any other acts, Regulations, Directives of Orders etc about health and safety.

1.13 Insurances

The bureau will arrange adequate insurances to cover such liabilities as may arise in the course of the bureau's work.

1.14 Dispute Resolution

If either party considers the other to be in breach of their duties under this agreement or has a grievance about some aspect of the agreement's operation, the parties shall make every effort to resolve the issue through joint discussions. Where this fails:

- The party wishing to make the complaint should provide the other with written details, including proposals for resolving it.
- A written response should be sent to the initiating party within 14 days;
- If the response is not considered to resolve the issue, the initiating party may request in writing to the contact officer a meeting of the authorised signatories (or their successor);
- Where possible the meeting should be held within 14 days of the contact officer receiving the request;
- Where the meeting does not resolve the complaint, the issue should be considered by the bureau's Trustee Board or the relevant council committee as a confidential team. Any submissions should be sent in advance to the other party and representation permitted;
- If either party is dissatisfied with the outcome as notified to it in writing within seven days of the meeting, arbitration can be requested and this will take place with a mutually acceptable external party.
- In the event that the matter is not resolved, this agreement can be dissolved.

1.15 Review

- a) This agreement may require amendments in the light of experience of implementing its terms. Any amendments will need to be negotiated and agreed in writing by both parties.
- b) The mechanism used for determining the core funding grant set out in Part 3 cannot be the subject of an amendment under a).
- c) An annual review of the level of services specified in Part 2 can be requested by either party and a meeting held as soon as practicable after this. It can take into account changes in community needs, feedback from clients or other stakeholders, changes in the council's corporate objectives and any other relevant factors beyond the control of the bureau, such as the availability of staff.
- d) Any amendment to the service specification under c) will need to be negotiated and agreed in writing by both parties.

1.16 Renewal

This entire agreement shall be subject to a formal review beginning in September 2017 with the aim of establishing the conditions applying for the period commencing April 2018.

1.17 Termination

- a) The agreement can be terminated by either party giving the other party six months notice in writing.
- b) Notice can be served if delivered, posted or emailed to the contact officer (see 1.8).

PART 2 – Service Objectives and Specifications

2.1 Aims of the Service

The aims of the Citizens Advice service, of which the bureau is a member and to which the bureau adhered:

To ensure that individuals do not suffer through lack of knowledge of their rights and responsibilities or of the services available, or through an inability to express their needs effectively.

and equally

To exercise a responsible influence in the development of social policies and services both locally and nationally.

2.2 Principles under which the Services are provided

The bureau will provide an information and advice service which is:

- Free
- Confidential
- Impartial
- In accordance with the Citizens Advice guidelines and Lewes District Council's policy on equal opportunities and safeguarding.

2.3 Core Services Funded under this Agreement

The bureau provides services which meet the requirements set out in Section 1 of the Citizens Advice Membership Scheme; "Core Advice Services and Social Policy".

The bureau ensures that the advice and information it gives to its clients complies with the criteria defined in Section 2 of the Citizens Advice Membership Scheme, where applicable, and demonstrates this by providing sufficient information in the case record..

This includes establishing client expectations and explaining what the bureau can provide, making a diagnosis about the issue(s) and identifying other related issues.

The bureau ensures advice is independent and is provided in a non-judgmental and non-discriminatory way.

Information is collected from the client on which advice is based and information is provided relevant to the person and their particular situation, including any entitlement calculations.

Options are explained to the client including consequences and limitations applicable to their particular circumstances.

Where possible, an objective assessment of the most likely successful remedy is given.

The client is assisted in identifying the most appropriate way forward, including any social policy action the client and / or the bureau can take.

The client is assisted through completion of forms, making telephone calls, drafting and writing letters, negotiation on behalf of the client and making referrals to other agencies that can provide specialist help beyond that which the bureau can provide.

The bureau is also able to provide specialist services in the categories of money advice, benefit advice and employment. A weekly total of 52 hours of benefits advice and 12.5 hours of money advice form part of the provision within this SLA.

2.4 Means of Accessing the Service

In order to maximise partnership working and reduce duplication, over the three year period of this agreement the service should be developed and adapted as required in order to be provided within the following areas/times/durations:

- A revised accommodation / service configuration in Lewes where services are delivered through shared accommodation with the Council at Southover House or other public buildings within the District*
- A full service** in Newhaven, delivered out of a shared facility with Lewes District Council or other public buildings within the District *
- A full service** in Seaford*
- A presence in Peacehaven or Telscombe (subject to Town Council funding being available)
- Provide a pilot “extended hours” session in order to evaluate need for this service.
- The bureau will join the national CAB telephone number in 2015.
- Any costs/work associated with the promotion of services within Council buildings will be the responsibility of the CAB.
- The CAB are expected to promote services and actively encourage the use of all delivery points.
- The CAB are expected to acknowledge the Council as a funder in all promotional material
- The CAB will be expected to work collaboratively over three years to ascertain how to improve publicity of and access to the service in the rural areas of the District.

* This service will add up to 8 days across the three areas.

** Subject to any future guidance from Citizens Advice nationally, a full service is taken to mean the provision of both gateway and generalist advice.

2.5 Joint Working

The CAB will work collaboratively with the Council as well as with other local information providers to deliver joined up services for residents of the District. Specifically:

- a) The bureau and the Council will work together on pertinent issues.
- b) The Council to refer customers to the bureau, and the bureau to refer customers back to the Council when appropriate.
- c) The bureau and Council to work together on other projects when appropriate.

It is recognised that the Council already provides meeting space to the CAB within Southover House, which could be costed at around £15 per hour when compared to similar venues.

2.6 Service Development

Over the three year funding period the following service developments will be made in response to changing customer needs:

- Co-location in Newhaven and increased presence at Southover House*
- Further extending co-location at Southover House, Lewes*
- A revised accommodation / service configuration in Lewes as per 3 year plan to be appended to this SLA*

**subject to further discussion with CAB and the required space/ resources being available at Southover House*

[The CAB will be required to provide a detailed three year plan which sets out how the above will be achieved, this will then be appended to the SLA]

Over this period, the CAB will, in conjunction with the Council, continually review the nature of customer enquiries to ensure that the service remains responsive to customer needs.

2.7 Quality Assurance

The bureau operates in line with the Citizens Advice service Membership Scheme which sets out the quality assurance standards to which all members are expected to operate. It is fully convergent with the Community Legal Service General Help Level Quality Mark.

The quality assurance standards consist of three sections:

Section One, Core advice services and social policy, defines the standards to which all members must operate in delivering information and advice to clients and undertaking social policy work.

Section Two, Quality of advice, sets the standards for monitoring the quality of advice delivered by members to clients and details the quality criteria that are used in measuring the quality of advice.

Section Three, Organisational standards, details the quality standards and the requirements to which members should operate in order to function as effective and economic quality organisations.

2.8 Service Development and Improvement

- a) The bureau has a business and development plan (see 4.8), the monitoring of which and the results of audits (see 4.2 and 4.3) lead to innovation and improvements in the service.
- b) The bureau will participate in the activities of various networks including the Consumer Support Network in order to enhance the services provided to local residents.
- c) The bureau will work to secure additional funding in order to meet unmet needs for advice amongst the diverse local communities.
- d) The bureau will make use of client's experiences to inform and influence the policy and delivery of other local services, and will inform the council of relevant issues.

2.9 User Feedback and Involvement

- a) The bureau will operate a procedure for representations and complaints about the service in accordance with Citizens Advice guidelines and shall take all reasonable steps to bring this to the attention of the users of the bureau.
- b) The bureau will undertake an annual client satisfaction survey.
- c) The bureau will consult both client both clients and potential clients about service provision and opening hours.
- d) The bureau will encourage users to take up appropriate training opportunities within the bureau.
- e) The Trustee Board are to be constituted in such a way as to encourage representation from as wide a range of local people and organisations as possible.

2.10 Circumstances beyond the Bureau's' Control

- a) The bureau will not be held responsible for any interruption in or disruption to the core services due to circumstances beyond their control.
- b) The services specified are dependent on the availability of suitable advisers. The council will be informed in the case of such advisers being unavailable, the likely duration, and what action is being taken to address the situation.

PART 3 – Financial and Resourcing Arrangements

- 3.1 The Council has agreed that the grants to be paid to the bureau for the financial year beginning April 2015 (year 1) shall be £153,740. It is acknowledged that 9.2% of this grant is spent on accommodation, the Council would expect to see a reduction in this proportion over three years.
- 3.2 Together with the funds from the town councils and parish councils across the district, these grants shall be construed as being sufficient to fund those core services referred to in Part 2 of this agreement, and for the purposes of this agreement are deemed to be the bureau's core funding.
- 3.3 The Business rate costs for The Barn, are £4,820 of which the CAB get 80% charity relief and then the Council has funded the balance of £964 through the Discretionary Relief scheme.
- 3.4 The Council will provide rent free accommodation in its buildings, where appropriate and feasible for the bureau to enable to deliver services to the public.
- 3.5 In calculating the grants for the second and subsequent year covered by this agreement, the only adjustments which can be made to the amounts given in 3.1 are:
 - a) Reviewing an increase for inflation (the council shall have regard to the Retail Price Index figure for the previous October); and
 - b) Any changes made as a result of an amendment to the specified service after an annual review under 1.15c.
 - c) A reduction in the proportion of the grant to be spent on accommodation is expected in Year 3 (17/18) as a result of a revised accommodation configuration
- 3.6 Service developments and additional services over and above those supported by the core funding and described in Part 2 of this agreement, can be considered for additional funding by the Council on the understanding that the Council can offer no commitment to fund. If the Council does fund these developments or additions in any one year, such funding will not affect the core funding arrangements and shall not be taken into account when calculating the core funding grants in the succeeding year.
- 3.7 All payments to be made under this agreement are exclusive of V.A.T. In the event of the bureau becoming liable for V.A.T. during the period of the operation of this agreement, the council will enter into discussions with the bureau with the aim of reaching a mutually acceptable outcome.
- 3.8 The core funding grants awarded to the bureau under this agreement will be paid in four instalments quarterly in advance, subject to full compliance with the terms on Part 4 of this agreement by the bureau. Here will be no need for the bureau to invoice or otherwise apply for the payments.

- 3.9 The bureau agrees to submit, to the council in each year of this agreement, a copy of its approved accounts, within the meaning of the Charities Act, 1993 and the Companies Act 2006.
- 3.10 Any change to the core funding provided by the other councils referred to in 3.3 could cause the bureau to be unable to provide the service specified in Part 2 of this agreement.

PART 4 – Monitoring Arrangements

- 4.1 The bureau monitors and evaluates its services in accordance with the procedures and directions set out in the Citizens Advice Quality Assurance Standards Membership Agreement.
- 4.2 The bureau is part of a pilot scheme to trial a new performance and quality framework (PDF) formerly known as quality of advice (QAA). The pilot will run until September 2015 after which, subject to consultation, the new PDF will come into force and all bureau will adopt the new approach from 1 October 2015. The new scheme will operate on a continual assessment basis rather than a three yearly assessment.

At the heart of the new PQF is a set of key performance indicators and quality measures:

- meeting client needs
- strong leadership
- financial sustainability

The Bureau will provide quarterly monitoring to the Council in both qualitative and quantitative form, in the form required by the Council and attend subsequent meeting to discuss if required. Information to be provided must include:

- client experience (ease of access, client satisfaction, client outcome)
- accuracy and appropriateness of advice.
- Number of clients attending each location by case type, and the proportion of repeat clients.
- Socio – economic and geographic breakdown of clients
- Trends in terms of issues being presented to case workers.
- Number of cases where the CAB have signposted the client to another service.
- Evidence to demonstrate that the outreach services are targeted at areas of deprivation.
- Volunteer recruitment figures to ensure the capacity to deliver the CAB's service in areas of deprivation.

- Details of the economic benefit that the CAB’s work generates to Lewes District.

Quarterly monitoring for welfare benefits caseworkers as detailed in 2.3

- Weekly entitlement to state benefits that the client secured as a consequence of advice
- Number of clients seen
- Total monies secured on behalf of clients

4.3 The bureau will provide a copy of the Annual Report to the council and an invitation for the council’s contact officer to its Annual General Meeting.

4.4 The Bureau will publish quarterly data on its website.

4.5 The bureau will provide information reasonably required by the council, subject to those requirements not being in breach of clients’ confidentiality. Information will not be required more frequently than at quarterly intervals.

4.6 The bureau produces a three-year business and development plan, which it reviews annually. This plan is to be provided to the Council, and include, amongst other things:

- An assessment of client satisfaction
- A client and community profile
- A community advice needs analysis
- A strategy for promoting the bureau, within the community
- A funding strategy, and
- An equality action plan covering all aspects of the bureau’s operation.

4.7 The bureau will ensure the Council’s representative on the CAB as an Outside Body is kept fully informed of monitoring activity and invited to relevant meetings.

PART 5 – Declaration

On behalf of Lewes District Council I confirm that I have read this agreement as set out above and the council will comply with the terms and condition contained within.

Signed.....

Date.....

Name of authorised signatory for Lewes District Council: xxxxx

On behalf of Lewes and Seaford CAB, I confirm that I have read the agreement as set out above and the CAB will comply with the terms and conditions contained within.

Signed.....

Date.....

Name of authorised signatory for Lewes and Seaford CAB: Michael Bell, Chair of the Trustees

Address of CAB: 3 North Court, Lewes, Sussex, BN7 2AR

Draft Service Level Agreement – 3VA

This is an agreement between Lewes District Council and 3VA.

3VA is a Council for Voluntary Service, providing support for voluntary and community organisations across the Eastbourne, Lewes District and Wealden areas of East Sussex. It provides a range of practical support to charities, community groups and social enterprises including start-up support, funding advice, help with governance, training and getting the voice of the third sector heard locally.

PART 1 – General Conditions

1.1 Parties

This is an agreement between the Lewes District Council (hereinafter call “the council”) and 3VA.

1.2 Object of Agreement

The council wishes to support the services of 3VA for the purpose of providing support for voluntary and community organisations and enterprises across the Lewes District, operated within both the aims, principles and policies of 3VA and the council’s ‘One District One Council’ approach to serving the needs of their residents, subject to an agreed grant and to a defined level of service.

1.3 Period of the Agreement

The agreement will commence of 1st April 2015 for a period of 3 years unless it is terminated under 1.13.

1.4 The Parties Obligations

- a) 3VA agrees to provide the services specified in Part 2 of this agreement (Service Objectives and Specifications).
- b) The council agrees to make the grant payments specified in Part 3 of this agreement (Financial and resourcing arrangements).

1.5 Status of Agreement

It is not the intention of either party that this agreement shall be legally binding and therefore neither party shall have any liability to the other for any failure to observe the terms of this agreement. ?

1.6 Status of Service Provider

In carrying out this agreement, 3VA is acting in its own right as an independent organisation, and not as an agent of the council.

1.7 Management

Responsibility for the management of 3VA is vested in their Board of Trustees.

1.8 Parties' Representatives

The council and 3VA will each appoint a contact officer.

- a) The role of the council's contact officer is to:
 - Be the initial point of contact within the council for the 3VA
 - Inform 3VA of any issues which may have an effect on the implementation of the service provision in this agreement.
 - Provide information, advice and support to 3VA as reasonably required.
 - Set up a quarterly monitoring meeting with the 3VA contact officer to consider the information set out in Part 4 of this agreement.
 - Inform 3VA of any change in the council's contact officer.
- b) The role of 3VA's contact officer is to provide the information required in Part 4 of this agreement and to inform the council's contact officer, in writing, if there is:
 - A proposal by 3VA to change or reduce the core services set out in Part 2 of this agreement;
 - Any amount to be taken into account under 3.3b (this must be notified by 1st February for the following financial year)
 - A major change to 3VA's financial budget;
 - A change in 3VA's contact officer.
- c) Both contact officers will be required to set up an annual monitoring meeting with the 3VA contact officer, and other meetings following quarterly monitoring when required, to consider the information set out in Part 4 of this agreement.
- d) The parties' contact officers will be Rachel Allan of the Council and xxx, of 3VA.

1.9 Staffing

- a) Paid and volunteer staff will be recruited and selected with full regard to equal opportunities policy, safeguarding and other procedures approved by 3VA.
- b) Paid staff will be employed and remunerated with full regard to 3VA Guidelines.

1.10 QUALITY ASSURANCE

3VA undertakes to operate the quality assurance systems described in Part 2 of this agreement.

1.11 HEALTH AND SAFETY

3VA shall have regard to the requirements of the Health and Safety at work Act, 1974 and any other Acts, Regulations, Directives of Orders etc about health and safety.

1.12 Insurances

3VA will arrange adequate insurances to cover such liabilities as may arise in the course of 3VA's work.

1.13 Dispute Resolution

If either party considers the other to be in breach of their duties under this agreement or has a grievance about some aspect of the agreement's operation, the parties shall make every effort to resolve the issue through joint discussions. Where this fails:

- The party wishing to make the complaint should provide the other with written details, including proposals for resolving it.
- A written response should be sent to the initiating party within 14 days;
- If the response is not considered to resolve the issue, the initiating party may request in writing to the contact officer a meeting of the authorised signatories (or their successor);
- Where possible the meeting should be held within 14 days of the contact officer receiving the request;
- Where the meeting does not resolve the complaint, the issue should be considered by 3VA's Trustee Board or the relevant council committee as a confidential team. Any submissions should be sent in advance to the other party and representation permitted;
- If either party is dissatisfied with the outcome as notified to it in writing within seven days of the meeting, arbitration can be requested and this will take place with a mutually acceptable external party.
- In the event that the matter is not resolved, this agreement can be dissolved.

1.14 Review

- a) This agreement may require amendments in the light of experience of implementing its terms. Any amendments will need to be negotiated and agreed in writing by both parties.
- b) The mechanism used for determining the core funding grant set out in 3.2 cannot be the subject of an amendment under a).
- c) An annual review of the level of services specified in 2.1, 2.3 and 2.4 can be requested by either party and a meeting held as soon as practicable after this. It can take into account changes in community needs, feedback from clients or other stakeholders, changes in the council's corporate objectives and any other relevant factors beyond the control of the bureau, such as the availability of staff.

- d) Any amendment to the service specification under c) will need to be negotiated and agreed in writing by both parties.

1.15 Renewal

This entire agreement shall be subject to a formal review beginning in September 2017 with the aim of establishing the conditions applying for the period commencing April 2018

1.16 Termination

- a) The agreement can be terminated by either party giving the other party six months notice in writing.
- b) Notice can be served if delivered, posted or emailed to the contact officer (see 1.8).

PART 2 – Service Objectives and Specifications

2.1 Aims of the Service

To be a valued, innovative and independent organisation empowering the voluntary and community sector through:

- Support and development
- Networking and representation
- Strategic partnership working

3VA supports and develops the voluntary and community sector in Eastbourne, Lewes Wealden Districts. This is done by helping new groups to set up, find funding, improve their governance, and by providing training. 3VA also provide networking opportunities that enable groups to share experience and expertise, and support the voluntary/community sector to have a say in policy and local decision making. 3VA builds the capacity of the sector, enabling people and organisations to do things for themselves.

2.2 Core Services Funded under this Agreement

3VA has four standards, which the funding from the council supports:

Standard 1: Development: Supports the identification of needs in the local community and facilitates innovation and improvements in service provision to meet those needs.

Standard 2: Support: Supports local voluntary organisations and community groups to fulfil their missions more effectively.

Standard 3: Collaboration: Facilitates effective communications and collaboration amongst local voluntary and community groups and between different sectors.

Standard 4:Influence: Supports local voluntary organisations and community groups to influence policies, plans and practises that have an impact on their organisation and beneficiaries.

2.3 Working Practice

Under this agreement, 3VA agrees to:

- a) Quarterly monitoring/liaison meetings with the council.
- b) Invite the council to nominate a Lewes District councillor to observe their Trustees Board from May 2015.
- c) Look to establishing a sharing resource for the voluntary sector in Lewes District – for example of sharing of IT equipment, accessibility equipment, fundraising equipment etc.
- d) Attend the Scrutiny Committee at the council on an annual basis to report on their work, if required.
- e) Consider the possibilities of a presence at the Council offices in Southover House, Lewes.
- f) Help the council to widen its volunteering scheme.
- g) Introduce wider equalities monitoring for attendees of training courses.
- h) 3VA are expected to acknowledge the Council as a funder in all promotional materials.

3VA should also meet the following annual targets (applicable for Lewes District area):

- a) Flexible expert support delivered through training courses 5 courses held in Lewes District. Internet based training will be developed and delivered during this contract.
- b) 10 groups assisted to apply for grant funding
- c) Delivery information via the 3VA website, weekly e-bulletin and quarterly 3 view (received by over 250 organisations in the Lewes area.
- d) Deliver in-depth advice and guidance to 40 community groups and voluntary organisations.
- e) 5 members from the Lewes District recruited to 3VA each year.
- f) 5 faith groups given 1:1 support for their community work

2.4 Joint Working

- a) 3VA and the council will be expected to work together on pertinent issues.
- b) Spare training places should be shared between 3VA and the council when appropriate
- c) 3VA and the council to work together on other projects when appropriate
- d) Consider the opportunity for co-location with the Council and/or staff/community bodies

2.5 Quality Assurance

3VA will provide quality assurance information to the Council through their NAVCA scheme.

2.6 Service Development and Improvement

3VA will provide their Strategic Plan to the Council.

2.7 User Feedback and Involvement

- a) 3VA will operate a procedure for representations and complaints about the service.
- b) 3VA undertake an annual survey with member organisations.
- c) 3VA will encourage groups to take up appropriate training opportunities within the District.

2.8 Circumstances beyond 3VA's Control

- a) 3VA will not be held responsible for any interruption in or disruption to the core services due to circumstances beyond their control.
- b) The services specified are dependent on the availability of suitable staff/volunteers

PART 3 – Financial and Resourcing Arrangements

3.1 The council has agreed that the grants to be paid to 3VA for the financial year beginning April 2015 (year 1) is 28K.

3.2 Together with funding from other organisations, these grants shall be construed as being sufficient to fund those core services referred to in Part 2 of this agreement, and for the purposes of this agreement are deemed to be the 3VA's core funding.

3.3 In calculating the grants for the subsequent years covered by this agreement, the only adjustments which could be made (subsequent to the council's decision) to the amounts given in 3.1 are:

- a) Reviewing an increase for inflation (the council shall have regard to the Retail Price Index figure for the previous October); and
- b) Any changes made as a result of an amendment to the specified service after an annual review

3.4 Service developments and additional services over and above those supported by the core funding and described in Part 2 of this agreement, can be considered for additional funding by the council on the understanding that the council can offer no commitment to fund. If the council does fund these

developments or additions in any one year, such funding will not affect the core funding arrangements and shall not be taken into account when calculating the core funding grants in the succeeding year.

- 3.5 All payments to be made under this agreement are exclusive of V.A.T. In the event of 3VA becoming liable for V.A.T. during the period of the operation of this agreement, the council will enter into discussions with 3VA with the aim of reaching a mutually acceptable outcome.
- 3.6 The core funding grants awarded to 3VA under this agreement will be paid in four instalments quarterly in advance, subject to full compliance with the terms on Part 4 of this agreement by 3VA. Here will be no need for the 3VA invoice or otherwise apply for the payments.
- 3.7 3VA agrees to submit, to the council in each year of this agreement, a copy of its approved accounts, within the meaning of the Charities Act, 1993 and the Companies Act 2006.

PART 4 – Monitoring Arrangements

- 4.1 3VA will be subject to annual external audit through the NAVCA Quality Awards which is externally re-assessed every three years.
- 4.2 3VA will provide a copy of the Annual Report to the council and an invitation for the council's contact officer to its Annual General Meeting.
- 4.3 3VA will publish its Strategic Plan online.
- 4.4 3VA will provide quarterly monitoring to the council in both qualitative and quantitative form. Part of this should be as reported in the Service Delivery Performance Report (dashboard).
- 4.5 3VA will provide information reasonably required by the council, subject to those requirements not being in breach of organisation's confidentiality. Information will not be required more frequently than - quarterly intervals.
- 4.6 3VA will ensure the Council's representative on the 3VA as an outside Body (currently Councillor Ruth O'Keeffe) is kept fully informed of monitoring activity and invited to relevant meetings.

PART 5 – Declaration

On behalf of Lewes District Council I confirm that I have read this agreement as set out above and the council will comply with the terms and condition contained within.

Signed

Date

Name of authorised signatory for Lewes District Council: NAME

On behalf of 3VA, I confirm that I have read the agreement as set out above and 3VA will comply with the terms and conditions contained within.

Signed

Date

Name of authorised signatory for 3VA (tbc)

Address of 3VA:

Service Level Agreement

This is an agreement between Lewes District Council and Action in Rural Sussex (AirS)

The role of Action in rural Sussex is to provide practical help and support to communities across both East and West Sussex enabling them to be vibrant, living and working places. In addition to their practical work with rural communities, they identify challenges faced by individuals and communities in rural Sussex and champion their needs with policy and decision makers.

Period of the Agreement

The agreement will commence of 1st April 2015 for a period of 3 years unless it is terminated.

Renewal

This agreement shall be subject to a formal review beginning in September 2017 with the aim of establishing the conditions applying for the period commencing April 2018.

Termination

- a) The agreement can be terminated by either party giving the other party six months notice in writing.
- b) Notice can be served if delivered, posted or emailed to the contact officer

Core Services Funded under this Agreement

To provide Village Halls and Community Buildings support within Lewes District to management groups and committee members as required, including:-

- initial advice and support via email / telephone enquiries
- the development and marketing of subscribers and consultancy services of AirS to those committees
- invitations to Village hall seminars (average 3 per year) to all halls on the AirS database.
- To maintain the Village Halls and Community Buildings section of the AirS website providing on-line information and signposting
- To supplement the service to subscribers if appropriate and by agreement with Lewes District Council.
- AirS are expected to acknowledge the Council as a funder in all promotional materials.

Joint Working

- a) AirS and the council will be expected to work together on pertinent issues.

- b) Spare training places should be shared between AirS and the council when appropriate
- c) Airs and the council to work together on other projects when appropriate
- d) Consider the opportunity for co-location with the Council and/or staff/community bodies

Financial and Resourcing Arrangements

The Council has agreed that the grants to be paid to AirS for the financial year beginning April 2015 (year 1) shall be £3500.

All payments to be made under this agreement are exclusive of V.A.T. In the event of AirS becoming liable for V.A.T. during the period of the operation of this agreement, the council will enter into discussions with the bureau with the aim of reaching a mutually acceptable outcome.

AiS agrees to submit, to the council in each year of this agreement, a copy of its approved accounts, within the meaning of the Charities Act, 1993 and the Companies Act 2006.

Monitoring Arrangements

AirS will provide a copy of the Annual Report to the council and an invitation for the council's contact officer to its Annual General Meeting.

AirS will provide annual monitoring to the Council in both qualitative and quantitative form which provides clear evidence of its performance of this agreement.

AirS will ensure the Council's representative on AirS as an outside Body (currently Councillor Jim Sheppard) is kept fully informed of monitoring activity and invited to relevant meetings.

PART 5 – Declaration

On behalf of Lewes District Council I confirm that I have read this agreement as set out above and the council will comply with the terms and condition contained within.

Signed
 Date
 Name of authorised signatory for Lewes District Council: NAME

On behalf of AirS, I confirm that I have read the agreement as set out above and AiRs will comply with the terms and conditions contained within.

Signed
 Date
 Name of authorised signatory for AiRs

Appendix D

Service Level Agreement

This is an agreement between Lewes District Council and Sussex Community Development Agency (Sompriti).

Sompriti provide bilingual advocacy, community development and outreach across the whole of the Lewes district to people from Black and Minority Ethnic communities.

The purpose of the Agreement is to enable Sompriti to support people from BME communities to access the public services provided by the District Council and other key services, and to help the council engage with members of the BME community.

Sompriti developed as a Lewes based community organisation over 13 years ago. It has operated as part of Sussex Community Development Association (SCDA) since 2011. We have established a successful partnership with them to ensure that people of BME communities that need extra support to access council and community services can do so, and also to help us engage with these sometimes harder to reach communities. They provide bi-lingual advocacy in 14 community languages, and their long-standing links with the local community adds unique value and enables their community outreach and development work.

Period of the Agreement

The agreement will commence of 1st April 2015 for a period of 3 years unless it is terminated.

Renewal

This agreement shall be subject to a formal review beginning in September 2017 with the aim of establishing the conditions applying for the period commencing April 2018.

Termination

The agreement can be terminated by either party

- if the other party shall fail or neglect to observe and perform any of its obligations under this Agreement
- giving the other party six months' notice in writing.
- served if delivered, posted or emailed to the Agreement Monitoring Officer

Core Services Funded under this Agreement

SCDA will provide the Sompriti services described below per annum:

Service	Provision	Price per unit	Total per annum
Bilingual advocacy- inclusive of travel time, report writing and planning in 14 languages	125 hours	£45 spot rate Contract rate with 20% discount £36.00	£4,500.00

<p>Community Development-outreach work inro existing and emerging communities within LDC and ensure inclusive reach</p>	<p>70 hours + 10 hours interpreting time</p>	<p>Development time charged at £21/hour</p> <p>Interpreting charged at £28/hour within contract (including the 20% discount)</p> <p>Spot rate for interpreting £35/hour</p>	<p>£1,470.00</p> <p>£ 280.00</p>
<p>BME women's groups</p>	<p>16 hours (4 meetings at 2 hours per meeting plus preparation and travel)</p> <p>Room hire and refreshments x 4</p>	<p>£21 hour per person</p> <p>£20 per hour</p>	<p>£336.00</p> <p>£160.00</p>
<p>BME business group</p>	<p>16 hours (4 meetings at 2 hours per meeting plus preparation and travel)</p> <p>Room hire and refreshments x 4</p>	<p>£21 hour per person</p> <p>£20 per hour</p>	<p>£336.00</p> <p>£160.00</p>
<p>BME older people-enabling people to effectively participate in Lewes District Older Peoples forum</p>	<p>20 hours (8 hours for 4 forum meeting plus 8 hours to cover 2 themed meetings and associated outreach plus travel and preparation time)</p>	<p>£21 hour per person</p>	<p>£420.00</p>
<p>Events – organisation of</p>	<p>108 hours= 3 events, 2 staff per</p>		

events and ensuring participation for BME community members.	event x 18 hours each (10 hours preparation, 5 hours event and 3 hours)	£21/hour per person	
	Prep		£1,260.00
	Actual event		£630.00
	Follow up		£378.00
		Grand Total	£9,930.00

There is flexibility for the Council to change the mix of activities, within the overall budget, during the year with reasonable notice and by agreement. SCDA will seek authorisation from the Agreement Monitoring Officer of the District Council before accepting requests for service if the amount of service for any individual type of activity exceeds the amounts agreed.

In addition, SCDA staff shall, if called upon by the District Council, attend Internal Equality Group and Overview and Scrutiny meetings to engage with Lewes District Council Members and Officers, providing they shall not be called upon to attend more than 12 such meetings over the period of this agreement.

Sompriti will be expected to continue the administration of the hate crime reporting in the District.

In all cases, hours of service are those spent actually delivering the service and do not include travel time to and from venues.

SCDA will send out a beneficiary survey to each beneficiary to determine client satisfaction regarding the service received after each completed case. The results of which will be reported in the quarterly monitoring report.

There will be an expectation that all enquiries to Sompriti will be acknowledged within two working days, and allocated to an appropriate worker within five working days.

Sompriti are expected to acknowledge the Council as a funder in all promotional materials.

Joint Working

In carrying out this Partnership Funding Agreement, SCDA is acting in its own right as an independent agency and not as an agent of the District Council.

SCDA will maintain at all times an Equal Opportunities Policy, Child Protection Policy, and a Health and Safety Policy for its service delivery and employment practices.

SCDA will ensure that any advice and training offered will be delivered only by trained and experienced personnel.

Sompriti and the council will be expected to work together on pertinent issues. Spare training places should be shared between Sompriti and the council when appropriate. The District Council acknowledges the right of SCDA to maintain confidentiality at all times in respect of personal information.

Sompriti will consider the opportunity for co-location with the Council and/or staff/community bodies.

Financial and Resourcing Arrangements

The Council has agreed that the grants to be paid to Sompriti for the financial year beginning April 2015 (year 1) shall be £10,000. Payments will made at the end of each quarter year, following the receipt of a satisfactory Quarterly Monitoring Report.

In the event that the agreed activities are not provided, the Council reserves the right to reclaim that part of the funding that has not been spent.

All payments to be made under this agreement are exclusive of V.A.T. In the event of Sompriti becoming liable for V.A.T. during the period of the operation of this agreement, the council will enter into discussions to reach a mutually acceptable outcome.

Sompriti agrees to submit, to the council in each year of this agreement, a copy of its approved accounts, within the meaning of the Charities Act, 1993 and the Companies Act 2006.

Monitoring Arrangements

The service breakdown will be used as a monitoring tool to track performance. Quarterly steering meetings will be held to review progress. Quarterly Monitoring Reports will be provided to the Agreement Monitoring Officer to be discussed at the quarterly steering meetings. These will include quantitative data on the demographics, language spoken and service accessed for both casework and information provision. 8 selected case studies will be provided per annum and possible learning identified. An annual monitoring report will be submitted by May each annum.

PART 5 – Declaration

On behalf of Lewes District Council I confirm that I have read this agreement as set out above and the council will comply with the terms and condition contained within.

Signed
Date
Name of authorised signatory for Lewes District Council: NAME

On behalf of SCDA (Sompriti), I confirm that I have read the agreement as set out above and AiRs will comply with the terms and conditions contained within.

Signed
Date
Name of authorised signatory for SCDA (Sompriti)

Agenda Item No: 10.7 **Report No:** 23/15
Report Title: Wave Leisure Annual Service Delivery Plan 2015/16
Report To: Cabinet **Date:** 12th February 2015
Cabinet Member: Councillor Maskell
Ward(s) Affected: All
Report By: Gillian Marston, Director of Service Delivery
Contact Officer(s)-
Name(s): Bee Lewis
Post Title(s): Head of Property and Facilities
E-mail(s): bee.lewis@lewes.gov.uk
Tel No(s): 01273 661101

Purpose of Report:

To seek Cabinet approval for the 2015/2016 Annual Service Delivery Plan proposed by Wave Leisure Trust (WLT).

Officers Recommendation(s):

- 1 That Cabinet approves the Annual Service Delivery Plan as set out in the report.
-

Reasons for Recommendations

- 1 The management agreement between the Council and Wave Leisure requires Cabinet to approve the Annual Service Delivery Plan.

Information

2

- 2.1 WLT have produced a proposed Annual Service Delivery Plan and this is reproduced at Appendix A to this report. Cabinet is now asked to approve the plan.
- 2.2 The priorities for 2015/2016 build upon those set out in previous years. Wave is encouraged to augment existing networks and partnerships and seek to establish new relationships to deliver services that will be of benefit to the local community. The plan underpins the Council's strategic aims and objectives.
- 2.3 The plan is aligned with three core objectives:
 - (a) Increasing participation and reducing health inequality;

- (b)** Improving accessibility and social inclusion;
 - (c)** Reducing environmental impact.
-
- 2.4** Emphasis is placed upon encouraging participation in rural communities and for families on a low income, particularly among Council tenants.
 - 2.5** WLT is encouraged to provide activities aimed at opportunities for increasing physical activity for older people. This is to reflect the District's ageing population which is above the national average in every band over 50.
 - 2.6** The plan takes account of equality of opportunity to ensure that services are accessible as widely as possible and reflects the diversity of the local community.
 - 2.7** If the proposed plan for 2015/2016 is approved by Cabinet, WLT will be notified of the Council's agreement and the plan will form part of WLT's contractual responsibility to deliver on behalf of the Council.
 - 2.8** The Council's Client Officer will monitor and evaluate WLT's performance against the plan. There will be a quarterly review of performance along with monitoring of the agreed performance indicators.
 - 2.9** WLT recognise that the plan should be numerate where possible with realistic and achievable outcomes. Where it is not possible to measure outcomes statistically, alternative success criteria will be employed to measure the benefits to the community.
 - 2.10** The Council's Client Officer sets and monitors the performance of the Leisure Trust against key performance indicators. The indicators are a means for the Council to monitor the performance of WLT in meeting the Council's agreed aims and objectives. They are regularly monitored through the quarterly meetings between LDC and WLT.

Financial Appraisal

- 3** The Council provides WLT with an Annual Service Fee in return for which the Trust helps the Council achieve its aims and objectives as detailed in this report. The Annual Service Fee for 2015-2016 was approved by Cabinet in September 2014. The Service Delivery Plan as provided by WLT therefore has no additional financial implications.

Legal Implications

- 4** There are no legal implications to consider.

Environmental Implications

5

- 5.1** The Photo-Voltaic schemes at Lewes Leisure Centre and Downs Leisure Centre were installed and commissioned at the end of 2011-12. Since installation, the PV panels at Downs LC and Lewes LC have generated 83,758 kWh and saved 49 tonnes of carbon dioxide.
- 5.2** A programme of boiler replacements has been completed at Downs Leisure Centre, Seaford; and Meridian Leisure Centre, Peacehaven. Both projects will improve energy efficiency and reduce carbon emissions.
- 5.3** In addition, work is about to start on the installation of a low energy lighting solution across all of the centres. The scheme is targeted at giving the biggest efficiency savings, whilst updating the existing lighting and reducing the ongoing maintenance.
- 5.4** Wave aim to reduce the environmental impact of their operation and have a number of KPIs to demonstrate how effective their carbon management plan is. They have attained ISO 14001 and are audited annually.

Risk Management Implications

6

- 6.1** Risk management screening has been completed and there is no additional risk to mitigate.

Equality Implications

7

- 7.1** Equality, accessibility and equality of opportunity are the building blocks of the Annual Service Delivery Plan. The key components of the plan have been designed to increase participation across a number of disadvantaged groups; reduce health inequality; and improve accessibility and social inclusion. The plan details how these aims will be achieved.

Background Papers

- 8** None

Appendices

Appendix A – WLT Proposed Annual Service Delivery Plan 2015/2016



Wave Leisure Trust

Annual Service Delivery Plan 2015/2016

"Inspiring Active Lifestyles"





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Annual Service Delivery Plan (2015/16)

On an annual basis Lewes District Council (LDC) is required to furnish WLT with an "Annual Service Statement" that provides the Trust with a framework to produce an Annual Service Delivery Plan.

The Council is keen to see the take up of activities by specified groups through the Annual Service Fee. These activities are reflected in the Council Plan; the Sustainable Community Strategy; the Crime Reduction Strategy; and outputs from the shadow Health and Wellbeing Board.

The LDC Annual Service Statement framework focuses on three core outcomes, namely:

- 1. Increasing Participation and Reducing Health Inequality.**
- 2. Improving Accessibility and Social Inclusion.**
- 3. Reducing Environmental Impact.**

Within each of the three core outcomes, LDC has provided a number of "Key Priorities" that define the requirements further.

Aligned to the LDC Outcomes and Key Priorities, Figure 2 presents WLT response to the LDC Service Statement, presenting the specific actions to be implemented to ensure that the LDC's requirements are achieved. The Plan is also a demonstration of WLT's shared commitment to the priorities and the valuable partnership that exists between LDC and WLT.

At the end of 2015/16 the Annual Performance and Monitoring Report will provide Key Examples and Outcomes for each of the WLT Actions defining successful delivery.

Appendix 1 provides further detail for each WLT Action ensuring context and a broader understanding of project work.

Background

In 2013 Wave Leisure Trust (WLT) developed the "Inspiring Active Lifestyles" Strategy with the Vision; *"to be at the heart of the improvement of health and wellbeing in the local and wider communities"*.

In an attempt to ensure that the strategy was both meaningful and deliverable, five core values were established providing an agenda to ensure the overall purpose of "Inspiring Active Lifestyles" is achieved. The five core values are illustrated and defined in Figure 1:

Figure 1: "Inspiring Active Lifestyles" Strategy

Our Values	To be at the heart of the improvement of health and wellbeing in our communities.
Our Vision	By engaging with partners Wave Leisure, an established charitable trust, will agree a shared programme of activities to deliver to the community . We aspire to achieve excellence in the delivery of our services which will provide our customers with choice and inspire active lifestyles. Our ultimate aims to create a sustainable business contributing towards the long term health and wellbeing of our community.



Figure 2: Outcome 1 - Increasing Participation and Reducing Health Inequality

LDC Key Priority 1

"Provision of activities to meet the needs of the aging population of the District, inclusive of outreach work to provide opportunities of increasing participation and wellbeing, particularly in the rural communities."

WLT Actions	Measure	Target	Outcome	Item No.	Page No.
Implement the "Older Persons" Strategy developed by WLT during the 2014/15.	All Aspects of The Strategy Implemented.	100%		1	25
Continue to support "Action in Rural Sussex" with a number of taster sessions specifically targeting less active older people in rural settings.	Number of Sessions.	5		2	25
	Average Number of Participants in Each Session.	8		2	25
	Total Number of Participants.	40		2	25
WLT to develop a programme of walking football events, and to create leagues and competitions during 2015/16.	Number of Events.	1		3	25
	Number of Participants.	20		3	25
	Number of Leagues.	1		3	25
	Number of Participants.	20		3	25
	Number of Competitions.	1		3	25
	Number of Participants.	20		3	25
Continue to operate the current Otago Falls Prevention Programme and launch five new sessions in 2015 with Peacehaven, Lewes, Seaford, Newick and Newhaven.	Number of Sessions	40		4	25
	Average Number of Participants in Each Session.	8		4	25
	Total Number of Participants.	320		4	25
	%age Participants Remaining Active on Completion.	35%		4	25
Continue to operate the re:balance™ programme expanding the programme as required and where appropriate.	Number of Sessions.	20		5	25
	Average Number of Participants in Each Session.	8		5	25
	Total Number of Participants.	160		5	25
	%age of Participants Remaining Active on Completion	35%		5	25

Continue to support SCDA with the operation of the "Step into Wellbeing" programme expanding activities as required and where appropriate.	Number of Programmes.	120	6	25-26
	Average Number of Participants in Each Programme.	6	6	25-26
	Total Number of Participants.	720	6	25-26
WLT to proactively reach out into GP Surgeries across the District to encourage participation.	Number of GP Surgeries Visited Annually.	12	7	26
Continue to work with ESCC to deliver the "Extend" Programme across WLT Sites.	Number of Programmes.	80	8	26
	Average Number of Participants on Programme.	6	8	26
	Total Number of Participants.	480	8	26
To maintain and expand where possible the older persons walking groups and sessions.	Number of Groups.	4	9	26
	Number of Sessions.	240	9	26
	Average Number of Participants in Each Session.	8	9	26
	Total Number of Participants.	1,920	9	26
Work with "Action in Rural Sussex" to develop a series of walks target to encourage participation from the older person living in rural settings.	Number of Walks created.	4	9	26
	Number of Sessions.	30	9	26
	Average Number of Participants in Each Session.	5	9	26
	Total Number of Participants.	150	9	26
To develop a Nordic Walking programme for 2015/16.	Number of Nordic Walks.	3	9	26
	Number of Sessions.	30	9	26
	Average Number of Participants.	5	9	26
	Total Participants.	150	9	26
To continue and seek to expand the support of National Older Peoples Day.	Number of Activities.	24	10	26
	Number of Participants.	240	10	26
Continue to support the 2015 Annual Seaford Senior's Event .	WLT Representation at Seaford Seniors Event.	1	11	26
To attend the East Sussex Seniors Forum meetings, ensuring that WLT is aware of the latest issues relating to the older person's agenda.	WLT Representation at Quarterly Seniors Forums.	3	11	26

Key Priority 2

“Seek to develop new partners as well as existing relationships with the Council and other key partners, to increase the availability and take up of positive activities for children and young people with the aim of encouraging greater participation by young children and families on a low income.”

WLT Actions	Measure	Target	Outcome	Item No.	Page No.
Continue to be an active participant within LAG and develop a programme of activities targeting families.	Number of Meetings Attended.	4		12	27
	Number of Programmes Launched.	2		12	27
	Average Number of People Attending Each Programme.	6		12	27
	Total Number of Participants.	12		12	27
Continue to be an active participant within Lewes Children’s and Young People’s Trust (CYPT), working with partners to establish a programme of activities.	Number of Meetings Attended.	3		13	27
	Number of Programmes Launched.	2		13	27
	Average Number of People Attending Each Programme.	6		13	27
	Total Number of Participants.	12		13	27
Establish and Implement a programme of “Street Games” activities at Shakespeare Hall and Newhaven Fort targeting young people who are otherwise disengaged from mainstream activities due to low income.	Number of Activities.	3		14	27
	Average Number of Participants in Each Activity.	6		14	27
	Number of Total Participants.	18		14	27
Continue to work with Targeted Youth Services to offer programmes of activity including “drop in” sessions from specialist partner agencies.	Number of “Drop In” sessions.	10		15	27
	Average Number of Participants in Each Session.	6		15	27
	Total Number of Participants.	60		15	27
Continue to offer subsidised holiday programmes.	Number of Subsidised Holiday Schemes.	4		15	27
	Average Number of Participant Per Holiday Scheme.	100		15	27
	Total Number of Participants.	400		15	27



WLT to deliver a number Sportivate programmes which are funded by Active Sussex, which targets younger people who are less active and are considered not so sporty.	Number of Programmes.	8		16	27-28
	Average Number of Participants in Each Programme.	8		16	27-28
	Total Number of Participants.	64		16	27-28

Key Priority 3

"Provide a varied programme of activities including taster sessions that positively encourage and promote physical activity, particularly amongst those who are not currently active."

WLT Actions	Measure	Target	Outcome	Item No.	Page No.
Continue to work with Sussex Community Development Association (SCDA) to deliver a range of programmes through 2015/16.	Number of Programmes.	5		17	29
	Average Number of Participants on Each Programme.	10		17	29
	Total Number of Participants.	50		17	29
Deliver a Change4Life day in Peacehaven and Seaford in July 2015 and increase attendance by 10%.	Number of Participants.	66		18	29
Develop a Change4Life day in Lewes 2015, using the national model already established.	Change4Life Day Implemented using National Model.			18	29
Increase the number of weight management programmes (Rebalance) for young people and their families.	Number of Weight Management Programmes	20		18	29
	Number of Participants on Each Programme.	8		18	29
	Total Number of Participants.	160		18	29
Increase the number of weight management programmes for adults.	Additional Number of Weight Management Progs	4		18	29
	Average Number of Participants on Each Programme.	8		18	29
	Total Number of Participants.	32		18	29
Deliver a healthy eating programme in Newhaven.	Implementation	1		18	29
WLT's School Sports Coordinator will organise a range of taster sessions for children in the Seaford Cluster to try new activities and feed into established clubs.	Number of Taster Sessions.	60		19	29
	Average Number of Participants on Each Session.	10		19	29
	Total Number of Participants	600		19	29
	Number of Children Transferring into established Clubs.	30 (5%)		19	29

Key Priority 4

"Provision of a range of holiday activities for children and young people of all age ranges."

WLT Actions	Measure	Target	Outcome	Item No.	Page No.
Ensure that funding is secured for all joint holiday schemes for each of the towns in the District.	Funding Secured	100%		20	30
WLT will work with Seaford Town Council to run a specific Seaford Head School Holiday Play Scheme.	Number of Participants	30		20	30
In an attempt to diversify the Holiday Programme and ensure the delivery remains fresh and dynamic, WLT will attempt to increase the number of partners involved in the delivery of each holiday programme.	Average Number of Partners in Each Holiday Programme.	4		20	30
	Total Number of Partners	16		20	30
To develop a stronger vounteer base with specific skills in delivering childrens activities.	Number of Volunteers	7		20	30
Expand the programme offerings into Seaford Schools by introducing new activities, for example; "Drop and Shop" and Inset Days Activity Sessions.	Number of New Sessions	9		20	30
	Average Number of Participants on Each Session.	15		20	30
	Total Number of Participants.	135		20	30



Key Priority 5

"Give due regard to the Equality Act 2010, particularly when there is a change to Policy; project development or where new services are being provided or where existing services are discontinued."

WLT Actions	Measure	Target	Outcome	Item No.	Page No.
WLT recognises that discrimination can occur and will ensure that no individual will be unjustifiably discriminated against. This includes, but not exclusively, on the basis of gender, race, nationality, ethnic or national origin, religious or political beliefs, disability, marital status, social background, family circumstance, sexual orientation, gender re-assignment, spent criminal convictions, age or for any other reason.	Number of Claims	0		21	31

Key Priority 6

"Provide opportunities and activities for Council tenants, which are either outreach or centre-based and which include tenants in rural communities."

WLT Actions	Measure	Target	Outcome	Item No.	Page No.
Through 2015/16 WLT will develop programmes of activity in isolation and by partnering key stakeholders, for example LDC Housing Services, Sussex Community Development Association (SCDA), Rural Sussex and Active Sussex. Sport, Physical Activity and Health and Wellbeing Programmes will be both leisure centre based and in other community and rural settings.	Number of Programmes.	6		22	32
	Average Number of Participants on Each Programme.	8		22	32
	Total Number of Participants.	48		22	32
	Number of Sessions in Leisure Centres.	4		22	32
	Number of Sessions in Rural Settings.	2		22	32
WLT will support Action in Rural Sussex Community Rural Open Days 2015.	Number of Activities per Open Day.	1		22	32
	Number of Participants.	10		22	32
WLT will seek to develop further activity programmes in care and rest homes.	Number of Care and Rest Homes Involved.	5		22	32
	Number of Activities.	10		22	32
	Average Number of Participants in Each Activity.	8		22	32
	Total Number of Participants.	400		22	32
Through the development of the partnership between Lewes District Council Housing Services and WLT a number of events will be developed, specifically for tenants living in council housing.	Number of Events.	2		22	32
	Average Number of Participants in Each Event.	15		22	32
	Total Number of Participants	30		22	32

Figure 3: Outcome 2 – Improving Accessibility and Social Inclusion

Key Priority 1

"Ensuring activities are accessible by the whole community, but working particularly with people and families on a low income, ensuring that activities are provided in such a way to meet the needs of specific groups within the community."

WLT Actions	Measure	Target	Outcome	Item No.	Page No.
WLT will seek to roll out the "i-go" audits across all WLT sites in 2015/16.	Number of Sites Audited by "i-go".	4		23	33
Work with partner organisations to expand the range of activities focused on the disabled at low or no cost including; Boccia, Table Cricket, New Age Kurling and Poly bat.	Number of Activities.	200		24	33
	Average Number of Participants in Each Activity.	6		24	33
	Total Number of Participants.	1,200		24	33
Work with Seaford Downs Syndrome and Special Needs Group (SDSSNG) to increase the number of sessions at Downs Leisure Centre and Seahaven Swim and Fitness Centre (SSFC) at low or no cost.	Number of Additional Sessions.	4		24	34
	Average Number of Participants in Each Session.	6		24	34
	Total Number of Participants.	24		24	34
Work with Sussex Community Development Association with the "Step into Wellbeing" programme targeting people and families on low income levels.	Number of Programmes.	16		25	34
	Average Number of Participants in Each Programme.	8		25	34
	Total Number of Participants.	128		25	34
Introduce Nordic Walking at low or no cost.	Number of Sessions	60		25	34
	Average Number of Participants on Each Session.	5		25	34
	Total Participants.	300		25	34
To develop a programme of low or no cost activities for rural and urban council tenants.	Number of Activities.	6		25	34
	Average Number of Participants on Each Activity.	8		25	34
	Total Number of Participants.	48		25	34



To deliver low or no cost access to holiday schemes, specifically targeting those in low income households including council tenants.	Number of Holiday Schemes.	4		25	34
	Average Number of Low Income Household Participants Per Holiday Scheme.	8		25	34
	Total Number of Low Income Household Participants.	32		25	34
Partnering with "Street Games" to create an offer specifically appealing to children and young people who otherwise would not engage in mainstream sporting activities.	Number of Activities.	3		25	34
	Average Number of Participants on Each Activity.	6		25	34
	Total Number of Participants.	18		25	34
Offer chair based exercise sessions in partnership with Sheltered Housing Schemes.	Number of Sessions.	10		25	34
	Average Number of Participants on Each Session.	8		25	34
	Total Number of Participants.	80		25	34

Key Priority 2

“Working with partners to identify appropriate funding to support sessions and activities that could be offered free to users at the point of delivery as a means of overcoming lack of income as a barrier to participation.”

WLT Actions	Measure	Target	Outcome	Item No.	Page No.
WLT will continue to work in partnership with a number of key stakeholders to develop targeted programmes designed to encourage greater levels of physical activity by individuals and groups of people for whom lack of income is a barrier to participation. For example, working in partnership with Sussex Community Development Association (SCDA) targeting older people, working age adults and parents with young children.	Number of Stakeholders.	4			35
	Number of Targeted Programmes.	4			35
	Average Number of Participants on Each targeted Programme.	8			35
	Total Number of Participants.	32			35
WLT will continue to provide and promote the Wave Leisure Trust Community Fund” to enable individuals and Groups to obtain funding to support activity.	WLT Community Trust Provided and Funds Distributed.	£3000		26	35
WLT will continue to provide a number of 7 day passes to GPs for distribution to those in greatest need.	Number of GP Surgeries.	12		27	35
	Number of Passes Distributed.	600		27	35
	Number of Passes Redeemed in Leisure Centres.	180		27	35
WLT will continue to work with Town Councils to provide Summer Holiday Schemes at low or no cost to those where income is a barrier to participation.	Number of Town Council’s Participating.	4		28	35
	Number of Holiday Schemes.	4		28	35
	Average Number of Participants in Each Holiday Scheme.	100		28	35
	Total Number of Participants.			28	35



WLT will continue to offer a wide range of discounted and subsidised rates across the product range to encourage participation.				28	35
WLT will continue to offer the Sportivate programme to young people and young adults at discounted subsidised rates.	Number of Sportivate Programmes.	7		29	35
	Total Number of Participants.	200		29	35
The Otago Fall's Prevention and Rebalance™ Weight management programmes will be offered free to those who access the service.	Number of Sessions.	40		30	35 - 36
	Average Number of Participants.	8		30	35 – 36
	Total Number of Participants.	320		30	35 – 36
	%age Participants Remaining Active on Completion.	35%		30	35 – 36
Work with "Street Games" to design and implement a low cost activity programme for those people and families who find cost as a barrier to participation.	Number of Activities.	3		31	35 – 36
	Average Number of Participants on Each Activity.	6		31	35 – 36
	Total Number of Participants.	18		31	35 - 36

Key Priority 3

"Promote opportunities for workforce development to encourage training and skills development for individual staff."

WLT Actions	Measure	Target	Outcome	Item No.	Page No.
Work in partnership with Albion in the Community and LEAP to implement the Apprenticeship Scheme with a target of providing 13 placements each year.	No of Placements	13		32	37
	Average Number of Participants Moving into Permanent Employment.	80%		32	37
To provide specific training and qualification opportunities for all contracted staff.	All Statutory Training Requirements Achieved.	100%		33	37
Provide placements on the Aspiring Managers programme to ensure WLT has a robust succession plan which will guarantee the continued and uninterrupted expected service delivery standards and provide career enhancement and progression opportunities to the staff.	No of Placements	5		34	38
	Number of Participants Graduating.	100%		34	38
Implement the Inspiring Managers programme for Managers and Supervisors to provide an opportunity for delegates to examine their own behaviours and adapt them to ensure their teams are motivated and engaged.	Number of Participants.	12		35	38
	Number of Participants Graduating.	100%		35	38
Capture data in all key areas to inform and guide the ongoing development of HR Strategy.	Key Areas.	6		36	37 - 38
	%age of Key Areas Captured	100%		36	37 - 38
Continue to provide opportunities for Volunteers and ensure that they feel valued and part of the WLT Team	No of Volunteers.	40		37	39
	No of Volunteer Events.	2		37	39
	No of Welcome Letters.	1 x Sign up		37	39
	No of Thank you Letters Issued.	1 x Annually		37	39

Key Priority 4

"Explore opportunities to increase non-centre based activity to further reduce access barrier and to encourage participation from current non-users."

WLT Actions	Measure	Target	Outcome	Item No.	Page No.
WLT will deliver activities in community settings, targeting people who have no access or currently do not access leisure centres.	Number of Activities Delivered in Community Settings.	20		38	40
	Number of Town Councils Covered by Programmes.	4		38	40
	Average Number of Participants on Each Programme.	8		38	40
	Total Number of Participants.	160		38	40
WLT's School Sports Co-ordinator will continue to work with the Seaford School Cluster Group to provide a range of; breakfast, lunch and after school clubs within schools and outdoor play areas.	Number of Clubs.	20		38	40
	Average Number of Participants in Each Club.	15		38	40
	Number of Total Participants.	300		38	40
WLT will support Action in Rural Sussex Community Rural Open Days 2015.	Number of Activities per Open Day.	1		38	40
	Number of Participants.	10		38	40
WLT will seek to develop further activity programmes in care and rest homes.	Number of Care/Rest Homes Involved.	5		38	40
	Number of Activities.	10		38	40
	Average Number of Participants on Each Activity.	8		38	40
	Total Number of Participants.	80		38	40
Through the development of the partnership between Lewes District Council Housing Services and WLT a number of activities will be developed, specifically for tenants living in council housing.	Number of Activities.	6		38	40
	Average Number of Participants in Each Activity.	8		38	40
	Total Number of Participants.	48		38	40



Key Priority 5

"To assist Lewes District Council with undertaking ongoing equalities assessments and monitoring."

WLT Actions	Measure	Target	Outcome	Item No.	Page No.
WLT will co-operate fully with LDC regarding any required Equalities Assessments and Monitoring.	Number of Assessments.	100% Completed			41

Figure 4: Outcome 3 – Reducing Environmental Impact

Key Priority 1

“Continue to look for opportunities to increase recycling for customers and staff wherever possible.”

WLT Actions	Measure	Target	Outcome	Item No.	Page No.
<p>WLT will continue to provide recycling facilities for WLT staff to re-cycle paper, cardboard, plastic bottles, printer and photocopier cartridges.</p> <p>Additionally there are facilities for customers to re-cycle plastic bottles. These facilities are audited for effectiveness each year as part of Wave Leisure’s Internal Environmental Audits programme and biennial external audits conducted by SAI Global.</p>	Number of Paper Recycling Bins Across WLT.	15		39	42
	Number of Plastic Recycling Bins Across WLT	8		39	42
	Number of Printer and Photocopier Cartridge Recycling Bins.	4		39	42
	Rating Result at Each Site from Internal Audit.	Satisfac-tory		39	42
	Rating Result from Internal Audit.	Confo-rming		39	42



Key Priority 2

"When planning future investment with the Council, identify opportunities to reduce energy usage and help to reduce CO₂ emissions. When replacing plant and equipment, cleaner and energy efficient technology should be considered that will help to generate future efficiency savings."

WLT Actions	Measure	Target	Outcome	Item No.	Page No.
WLT will ensure that all works take into account "green" factors including efficiency, CO2 emissions, and up to date technology.	"Green Factors" to be included as a standing Agenda Item on all Pre Works Meeting Agendas.	100%			43
	"Green" Factors to be identified and implemented or explained why unachievable.	100%			43
In partnership with Lewes District Council (LDC), WLT will investigate a number of more energy efficient plant and equipment options. Where possible WLT will obtain grants and/or loans to install more energy efficient equipment and plant.	Number of More Energy Efficient Plant and Equipment Options Identified.	3			43
	Number of More Energy Efficient Plant and Equipment Options Implemented.	1			43
	Number of Grants Sourced.	1			43
WLT will closely monitor energy use through its half-hourly Automatic Meter Readings (AMR's) to ensure sound performance monitoring.	Energy Measured via Half-Hourly Automatic Meter Readings (AMRs).	100%			43
	Energy Performance to be Reported within the CEO's Quarterly and Annual Reports.	100%			43
WLT will continue the accreditation to the "Social Enterprise Mark" which demonstrates ongoing commitment to people and plant.	"Social Enterprise Mark"	Retained.			43
WLT will maintain standards in line with ISO 14001.	Maintenance of ISO 14001 Registration.	Registration.			43



Appendix 1: Wave Leisure Action supporting information.

Outcome 1: Increasing Participation and Reducing Health Inequality

LDC Key Priority 1

“Provision of activities to meet the needs of the aging population of the District, inclusive of outreach work to provide opportunities of increasing participation and wellbeing, particularly in the rural communities.”

Wave Leisure Actions

1. WLT is currently developing an ‘Older People’s Strategy which aims to develop and improve the general health and wellbeing of older people within the community.

Action: Implement the “Older Persons” Strategy developed by WLT during the 2014/15.

2. WLT is currently working with partner organisations to have greater reach into rural settings, delivering chair based and falls prevention programmes, along with special taster events, which target the less active.

Action: Continue to support “Action in Rural Sussex” with a number of taster sessions specifically targeting less active older people in rural settings.

3. Working in partnership with the Sussex County FA, WLT is currently piloting a Walking Football programme, and is targeted to men and women aged 50+. The intention is to role the Walking Football Programme out across WLT during 2015/16.

Action: WLT to develop a programme of walking football events, and to create leagues and competitions during 2015/16.

4. The Otago Exercise Programme is a programme of strength and balance enhancing exercise designed specifically to reduce the likelihood and severity of falls in individuals who have been identified at risk of falling. Each programme consists of 16 one hour classes delivered over 16 weeks, plus exercise to be practiced at home.

Action: Continue to operate the current Otago Falls Prevention Programme and launch five new sessions in 2015 with Peacehaven, Lewes, Seaford, Newick and Newhaven.

5. Rebalance™ is a 12 week course, commissioned by East Sussex County Council (ESCC) and run by leisure providers in local community settings. It is a scientifically developed programme to help people old and young to lose weight and maintain a healthier lifestyle and has been designed for two age range categories; Junior, i.e. 2 to 16 years of age and adult aged 16+.

Action: Continue to operate the re:balance™ programme expanding the programme as required and where appropriate.

6. “Step into Wellbeing” is a programme of activities designed by Sussex Community Development Association (SCDA) to improve the health and wellbeing of communities. It is an intervention by trained workers to support families and individuals to make lifestyle changes in order to improve health and covers activities such as:
 - i. Healthy Cooking and Healthy Eating.
 - ii. Exercise to Music.
 - iii. Active Family Sessions.

Action: Continue to support SCDA with the operation of the "Step into Wellbeing" programme expanding activities as required and where appropriate.

7. Exercise Referral is a programme designed to enable GPs to prescribe physical activity as a form of treatment, reducing the dependency on medication. Currently WLT is the preferred referral partner for Lewes District GP Surgeries.

Action: WLT to proactively reach out into GP Surgeries across the District to encourage participation.

8. "Extend" is a national scheme commissioned by East Sussex County Council (ESCC) designed to motivate the older person to become active. This weekly programmed session is great for the older person returning to exercise or who has conditions limiting movement or a disability.

Action: Continue to work with ESCC to deliver the Extend Programme across WLT Sites.

9. Healthy Walking programmes are provided in four WLT sites. Walks are normally conducted on a weekly basis and will traditionally last for about an hour. The hope is not only to continue to offer the programme but to expand to attract more participants.

Action: To develop older persons walking groups and sessions targeted.

Action: Work with "Action in Rural Sussex" to develop a series of walks target to encourage participation from the older person living in rural settings.

Action: To develop a Nordic Walking programme for 2015/16

10. National Older Peoples Day is an International celebration of the older person and the contribution they make to society. Traditionally WLT has supported the promotion by offering additional older person activities and reduced access charges.

Action To continue and seek to expand the support of National Older Peoples Day.

11. The Seaford Seniors Forum run an annual event which promotes physical activity to Seaford older people. The event also informs them of additional older people services available within the town.

Action: Continue to support the 2015 Seaford Seniors Event .

Action: To attend the East Sussex Seniors Forum meetings, ensuring that WLT is aware of the latest issues relating to the older person's agenda.

LDC Key Priority 2

“Seek to develop new partners as well as existing relationships with the Council and other key partners, to increase the availability and take up of positive activities for children and young people with the aim of encouraging greater participation by young children and families on a low income.”

Wave Leisure Actions

12. WLT is an active participant of the Local Advisory Group (LAG) established by East Sussex County Council to co-ordinate a cluster of Children’s Centres focused on developing a programme of family activities.

Action: Continue to be an active participant within LAG and develop a programme of activities targeting families.

13. The Children’s and Young People’s Trust (CYPT) established by East Sussex County Council is a body with the remit of co-ordinating services and activities for children and young people. Partners include organisations such as County and District Fire Services, ESCC Youth Services, the Police and ESCC Education.

Action: Continue to be an active participant within Lewes Children’s and Young People’s Trust (CYPT), working with partners to establish a programme of activities.

14. “Street Games” is a sports charity that brings sport to the doorstep of young people in disadvantaged communities across the UK. In 2014 WLT registered as a delivery partner initially focusing on Shakespeare Hall as a destination venue for activity.

Action: Establish and Implement a programme of “Street Games” activities at Shakespeare Hall and Newhaven Fort targeting young people who are otherwise disengaged from mainstream activities due to low income.

15. WLT currently works with “Targeted Youth Services” and other partner agencies to provide opportunities at low or no cost for young people and their families to participate and become more active.

Programmes are co-ordinated within a number of venues including:

- i. Landport Community Centre
- ii. The Mallings
- iii. Shakespeare Hall Newhaven
- iv. Schools within the Seaford Cluster
- v. Seaford Head School
- vi. Tideway Academy – partnering with SCDA

Action: Continue to work with Targeted Youth Services to offer programmes of activity including “drop in” sessions from specialist partner agencies.

Action: Continue to offer subsidised holiday programmes.

16. Active Sussex is one of 45 County Sports Partnerships. WLT is a key member of Active Sussex who are working in partnership and aim to deliver programmes of activity for all ages across our region, with the purpose of increasing physical activity by 1%. WLT

attends conferences and CPD events in order to keep updated on both local and national agendas.

Sportivate is a nationwide campaign it provides opportunities for teenagers and young adults to receive 6-8 weeks of coaching in a sport of their choice and guides them into regular participation within their community. Sportivate Programmes include:

- i. Sportivate Gym
- ii. Spinning Classes
- iii. Programmes targeted at young girls – Dance, body combat and action fitness.
- iv. Street Games – located Newhaven Fort and Hall Shakespeare Hall, targeting young people and those who are considered to be on the cusp of offending.
- v. Prevent and deter programmes working with Sussex Police.

Action: WLT deliver a number Sportivate programmes which are funded by Active Sussex, which targets younger people who are less active and are considered not so sporty.

LDC Key Priority 3

“Provide a varied programme of activities including taster sessions that positively encourage and promote physical activity, particularly amongst those who are not currently active.”

Wave Leisure Action

17. Working with the Sussex Community Development Association (SCDA), WLT is delivering several ‘Step ‘Into Wellbeing’ programmes targeted at work age parents and older people who are inactive. WLT provides experienced and well qualified instructors to deliver programmes in local community settings targeting the following:
- i. Chair Based Exercise and Zumba Gold for the Older Person.
 - ii. Circuits and Zumba for Work Age adults.
 - iii. Exercise to Music for Parents.
 - iv. Swim Safety Rookie Lifeguard Campaign target coastal towns for Young People.
 - v. Healthy Eating Programme for Families.

Action: Continue to work with Sussex Community Development Association (SCDA) to deliver a range programmes through 2015/16.

18. **“Change4Life”** is a public health programme which was launched in January 2009. Run by the Department of Health it is the country's first national social marketing campaign to tackle the causes of obesity.

Change4Life's aim is to inspire a broad coalition of people, including the NHS, local authorities, businesses, charities, schools, families, community leaders, to all play a part in improving the nation's health and well-being by encouraging everyone to eat well, move more and live longer. WLT has developed and delivers programmes of activity along with partnering SCDA with healthy eating and food safety awareness campaigns.

Action: Deliver a Change4Life day in Peacehaven and Seaford in July 2015 and Increase attendance by 10%.

Action: Develop a Change4life day in Lewes 2015, using the national model already established.

Action: Increase the number of weight management programmes (Rebalance) for young people and their families by seven during the next twelve months.

Action: Increase the number of weight management programmes for adults by six within the next twelve months.

Action: Deliver a healthy eating programme in Newhaven.

19. WLT's Seaford School Sports Co-ordinator's (SSC) remit covers three primary focus areas:
- i. Introduce and expand the number of Activity Clubs.
 - ii. Introduce and expand the number of Inter School Competitions.
 - iii. Ensure that the Seaford School Cluster is represented in regional Events.

In addition the SSC's remit is to provide a range of taster sessions to encourage school children to try new activities and feed into already established Club within WLT managed facilities.

Action: WLT's School Sports Co-ordinator will organise a range of taster sessions for children in the Seaford Cluster to try new activities and feed into established clubs.

LDC Key Priority 4

"Provision of a range of holiday activities for children and young people of all age ranges."

Wave Leisure Action

20. In partnership with the Town Councils, over the past 3 years WLT has been providing a range of holiday schemes across the District in areas including; Lewes, Seaford, Newhaven, Peacehaven and Telscombe Cliffs.

The Town Councils have traditionally contributed financially to the success of the holiday schemes with WLT co-ordinating the and acting as the main provider, drawing support from local sports clubs, coaches and volunteers.

In addition Seaford Town Council agreed to part fund a specific programme based at Seaford Head School.

Action: Ensure that funding is secured for all joint holiday schemes for each of the towns.

Action: WLT will work with Seaford Town Council to build upon the success of a joint summer holiday play scheme pilot which was based at Seaford Head School. Due to the success of the pilot, this scheme will be extended into 2015 was funded in part by the Town Council, and the pilot is to.

Action: In an attempt to diversify the Holiday Programme and ensure the delivery remains fresh and dynamic, WLT will attempt to increase the number of partners involved in the delivery of each holiday programme.

Action: To develop a stronger volunteer base with specific skills in delivering childrens activities.

Action: Expand the programme offerings into Seaford Schools by introducing new activities, for example; "Drop and Shop" and Inset Days Activity Sessions.

LDC Key Priority 5

"Give due regard to the Equality Act 2010, particularly when there is a change to Policy; project development or where new services are being provided or where existing services are discontinued."

Wave Leisure Action

21. The Equality Act 2010 legally protects people from discrimination in the workplace and in wider society. It replaced previous anti-discrimination laws with a single act, making the law easier to understand and strengthening protection in some situations. It sets out the different ways in which it's unlawful to treat someone.

WLT believes that excellent service provision will be achieved through recognising the value of every individual. WLT aims to create an environment that respects the diversity of staff and customers and enables them to achieve their own personal goals, contribute fully, and derive maximum benefit and enjoyment from their relationship with WLT.

WLT acknowledges the following basic rights for all those involved with the organisation:

- i. To be treated with respect and dignity.
- ii. To be treated fairly.
- iii. To be encouraged to achieve success and realise personal goals.

These rights carry with them certain responsibilities and all WLT employees are required to recognise these rights and to act in accordance with them when dealing with colleagues and members of the public.

WLT recognises that discrimination can occur and will ensure that no individual will be unjustifiably discriminated against. This includes, but not exclusively, on the basis of gender, race, nationality, ethnic or national origin, religious or political beliefs, disability, marital status, social background, family circumstance, sexual orientation, gender re-assignment, spent criminal convictions, age or for any other reason.

Action: WLT recognises that discrimination can occur and will ensure that no individual will be unjustifiably discriminated against. This includes, but not exclusively, on the basis of gender, race, nationality, ethnic or national origin, religious or political beliefs, disability, marital status, social background, family circumstance, sexual orientation, gender re-assignment, spent criminal convictions, age or for any other reason.

LDC Key Priority 6

"Provide opportunities and activities for Council tenants, which are either outreach or centre-based and which include tenants in rural communities."

Wave Leisure Action

22. WLT has recently appointed an Active Lifestyle's Manager (ALM) who is responsible for three primary areas of activity, namely:

- i. Sport.
- ii. Physical Activity.
- iii. Health and Wellbeing.

The ALM's role will also ensure an appropriate blend of both centre based and outreach programming.

Through the 2015/16 year the ALM will be linking directly with Lewes District Council (LDC) Housing Services to establish a programme of activity for council tenants including those in rural settings.

In addition it will be the responsibility of the ALM to liaise directly with WLT's Funding Officer to source relevant external funding for these programmes of activity.

Sessions will be developed in isolation and through the utilisation of key partners, for example LDC Housing Services, Sussex Community Development Association (SCDA), Rural Sussex and Active Sussex.

Action: Through 2015/16 WLT will develop programmes of activity in isolation and by partnering key stakeholders, for example LDC Housing Services, Sussex Community Development Association (SCDA), Rural Sussex and Active Sussex. Sport, Physical Activity and Health and Wellbeing Programmes will be both leisure centre based and in other community and rural settings.

Action: WLT will support Action in Rural Sussex Community Rural Open Days 2015.

Action: WLT will seek to develop further activity programmes in care and rest homes.

Action: Through the development of the partnership between Lewes District Council Housing Services and WLT a number of events will be developed, specifically for tenants living in council housing.

Outcome 2: Improving Accessibility and Social Inclusion

LDC Key Priority 1

“Ensuring activities are accessible by the whole community, but working particularly with people and families on a low income, ensuring that activities are provided in such a way to meet the needs of specific groups within the community.”

Wave Leisure Action

23. Currently WLT works with an organisation called “i-go” who supports disabled people seeking to access leisure venues to participate in sporting/general activities.

“Young Inspectors” who are themselves disabled, assess WLT managed venues on an annual basis to audit accessibility. WLT then utilises the feedback to enhance provision and accessibility for disability.

Action: WLT will seek to roll out the “i-go” audits across all WLT sites in 2015/16.

24. WLT has a track record for offering a range of low or no cost activities within sites for disabled people.

In addition to adapted main stream activities such as athletics, football, table tennis, swimming, dance and gym, WLT offers some less traditional but highly inclusive such as:

i. Boccia

A target ball sport belonging to the same family as petanque and bowls.

ii. Table cricket

A game played on a table tennis table or similar sized surface area with side panels featuring nine sliding fielders. A plastic ball is bowled by a ball launcher at one end of the pitch, while at the other the batter has a wooden bat. Teams consist of six players, with each individual innings lasting two overs, regardless of whether the batter is given out every time a wicket is lost five runs are deducted from the team's starting score of 200. Two, four or six runs can be scored if the ball is hit in-between fielders placed on the side panels. There are six different ways of a batsman being dismissed. Avoiding the 'caught out' zones on the side panels requires good shot selection and placement.

iii. New Age Kurling

A form of the original curling game but adapted so that it can be played indoors on any smooth, flat surface, such as a sports hall, rather than on ice.

iv. Poly bat

The aim of the game is to hit the ball over the opponent's end of the table, or cause them to play a fault by lifting the ball off the table surface. Polybat is a suitable game for all ages and abilities. It is particularly aimed at players who have co-ordination or balance issues.

Action: Work with partner organisations to continue offering and expand the range of activities focused on the disabled at low or no cost including; Boccia, Table Cricket, New Age Kurling and Poly bat.

Action: Work with Seaford Downs Syndrome and Special Needs Group (SDSSNG) to increase the number of sessions at Downs Leisure Centre and Seahaven Swim and Fitness Centre (SSFC) at low or no cost.

25. To continuing to offer programmes of activity for the disabled, a key focus for 2015/2016 will be to further develop relationships with current and new partners to enhance the range of accessible programmes for specific groups within the community. Therefore in addition to programmes of activity for the disabled, the focus for 2015/2016 will be to:

Action: Work with Sussex Community Development Association with the "Step into Wellbeing" programme targeting families on low income levels.

Action: Introduce Nordic Walking as a tag on development to the healthy walking programme at low or no cost.

Action: To develop a programme of low or no cost activities for rural and urban council tenants.

Action: To deliver low or no cost access to holiday schemes, specifically targeting those in low income households including council tenants.

Action: Partnering with "Street Games" to create an offer specifically appealing to children and young people who otherwise would not engage in mainstream sporting activities.

Action: Offer chair based exercise sessions in partnership with Sheltered Housing Schemes.

LDC Key Priority 2

“Working with partners to identify appropriate funding to support sessions and activities that could be offered free to users at the point of delivery as a means of overcoming lack of income as a barrier to participation.”

Wave Leisure Action

Action: WLT will continue to work in partnership with a number of key stakeholders to develop targeted programmes designed to encourage greater levels of physical activity by individuals and groups of people for whom lack of income is a barrier to participation. For example, working in partnership with Sussex Community Development Association (SCDA) targeting older people, working age adults and parents with young children.

26. For a number of years now WLT has offered local clubs, organisations and individuals the opportunity to bid for funding to assist projects that inspire or support an active lifestyle. Although the level of grant funding is small there is no doubt that Clubs and organisations have benefit from the support funding provided by WLT.

Action: WLT will continue to provide and promote the Wave Leisure Trust Community Fund” to enable individuals and Groups to obtain funding to support activity.

27. WLT has traditionally provided local GPs with a number of 7 day passes for distribution to those people who GPs believe would benefit the most from physical activity.

Action: WLT will continue to provide a number of 7 day passes to GPs for distribution to those in greatest need.

28. In partnership with the Town Councils, over the past 3 years WLT has been providing a range of holiday schemes across the District in areas including; Lewes, Seaford, Newhaven, Peacehaven and Telscombe Cliffs. The Town Councils have traditionally contributed financially to the success of the holiday schemes with WLT co-ordinating the and acting as the main provider, drawing support from local sports clubs, coaches and volunteers.

Action: WLT will continue to work with Town Councils to provide Summer Holiday Schemes at low or no cost to those where income is a barrier to participation.

Action: WLT will continue to offer a wide range of discounted and subsidised rates across the product range to encourage participation.

29. Sportivate is a nationwide campaign it provides opportunities for teenagers and young adults to receive 6-8 weeks of coaching in a sport of their choice and guides them into regular participation within their community.

Action: WLT will continue to offer the Sportivate programme to young people and young adults at discounted subsidised rates.

30. The Otago Exercise Programme is a programme of strength and balance enhancing exercise designed specifically to reduce the likelihood and severity of falls in individuals who have been identified at risk of falling.



Action: The Otago fall's prevention and Rebalance™ Weight management programmes will be offered free to those who access the service.

31. "Street Games" is a sports charity that brings sport to the doorstep of young people in disadvantaged communities across the UK.

Action: Work with "Street Games" to design and implement a low cost activity programme for those families who find cost as a barrier to participation.

LDC Key Priority 3

“Promote opportunities for workforce development to encourage training and skills development for individual staff.”

32. The launch of the WLT Training Academy in 2014/15 has ensured that staff at every level in the organisation has the opportunity for individual formalised development plans and progression opportunities.

The Training Academy covers 5 Key Areas:

- Entry Level:** Apprenticeship Scheme.
Second Level: Permanent Contract.
Third Level: Aspiring Managers.
Fourth Level: Inspiring Managers.
Fifth Level: Performing Managers.

Apprenticeship Scheme

The goal is for the Apprenticeship Scheme to increase the number of Apprenticeships available from 8 every two years to 13 every year providing volunteers, casual staff and college leavers with a opportunity to start their careers.

Entry level to the Academy is the Apprenticeship scheme which is a one year contract during which time candidates will have the opportunity to undertake some of the following training:

- i. NVQ (2) Sport and Activity Leadership.
- ii. National Pool Lifeguard Qualification.
- iii. NVQ (2) Customer Service.
- iv. Appointed Persons First Aid.
- v. Defib Training.
- vi. Manual Handling.
- vii. COSHH.
- viii. Level 2 Certificate in Nutrition and Health.
- ix. Level 2 Certificate in Fitness Instructing.

[Action: Work in partnership with Albion in the Community and LEAP to implement the Apprenticeship Scheme with a target of providing 13 placements each year.](#)

33. Permanent Contract

After successful completion of the Apprenticeship Scheme, where possible the apprenticeship post will move to a permanent contracted post, training would move on to:

- i. Specific mandatory training for new role
- ii. Personal Effectiveness Training
- iii. Opportunity for mentoring new Apprentices
- iv. Personal Development Plans

The aspiration is to place 80% of Apprentices into contracted posts at the end of their training contract.

[Action: To provide specific training and qualification opportunities for all contracted staff.](#)

34. Aspiring Managers

The third level of the Academy develops a team of Aspiring Managers, for those staff who have a driving ambition and passion to develop a career and to progress through the organisation. Training will include:

- i. Level 2 Diploma in Team Leading
- ii. Training in Corporate areas of the business - Finance, HR, Marketing
- iii. How to successfully attend and hold meetings

The Aspiring Managers programme forms a fundamental part of our internal succession planning, proving a pool of well trained staff able to take on the next level of responsibility as vacancies arise. Data will be kept as to the number of successful internal applications for more senior roles.

Action: Provide five placements on the Aspiring Managers programme to ensure WLT has a robust succession plan which will guarantee the continued and uninterrupted expected service delivery standards and provide career enhancement and progression opportunities to the staff.

35. Inspiring Managers

The fourth level of the Academy is aimed at developing the skills of existing managers.

To be a truly inspirational manager, the participant will need to understand how they behave and react and the impact that their behaviour has on colleagues. By going through a journey of self discovery, managers will learn to understand and adapt to the circumstances that they are faced with. Managers will also have the opportunity to apply for Level 3 Diploma in Management.

Operations Managers and Supervisors will be able to build motivated teams of staff who are engaged with their working environment. This will impact on staff retention and staff performance.

Staff turnover rates and reasons for exit will be monitored on a quarterly basis.

Action: Implement the Inspiring Managers programme for Managers and Supervisors to provide an opportunity for delegates to examine their own behaviours and if necessary adapt them to ensure their teams are motivated and engaged.

36. WLT will continue to drive for internal succession planning through our Training Academy and will monitor the number of internal promotions on a quarterly basis recognising the need to also bring new skills and experience into the business.

All staff that move into more senior roles will be tracked i.e. volunteers moving to paid employment, casual staff moving to the apprenticeship scheme, apprentices moving to contracted posts and aspiring managers moving into managerial posts.

The introduction of the corporate training and development matrix will determine which job roles need specific training which will then be monitored to ensure it takes place. The number of training hours by Centre will be monitored and checked against other data e.g. incidents of disciplinary situations, leavers etc and action to rectify taken where necessary.

Data capture of staff induction will ensure that it is refined to enable staff to settle in quickly, learn the necessary skills and be able to perform their role professionally.

Action: Capture data in all key areas to inform and guide the ongoing development of HR Strategy.

37. WLT will continue to provide opportunities to the local community through the Volunteer Programme recognising that each volunteer will have different and specific reasons for volunteering.

WLT will ensure that volunteers feel valued and a part of the team. Where appropriate, volunteers will have the opportunity to join the Training Academy at entry level.

Action: Continue to provide opportunities for Volunteers and ensure that they feel valued and part of the WLT Team

LDC Key Priority 4

"Explore opportunities to increase non-centre based activity to further reduce access barrier and to encourage participation from current non-users."

Wave Leisure Action

38. During 2015 WLT conducted a management restructure to ensure that dedicated 'outreach' provision was created to bring greater penetration of WLT out in the Lewes District Community, beyond the restrictions of leisure venues.

Action: WLT will deliver activities in community settings, targeting people who have no access or currently do not access leisure centres. For example:

- i. Utilisation of a number of Green Gyms to run fitness sessions.
- ii. Providing and expanding the range of Healthy Walks led by WLT's Volunteer Base.
- iii. Continuing to offer and expanding into new community settings the Otago Falls Prevention Programme.
- iv. Continuing to offer and expanding into new community settings Weight Management Programme.
- v. Introducing a new Walking Football Tournament with Lewes FC at the Dripping Pan.

Action: WLT's School Sports Co-ordinator will continue to work with the Seaford School Cluster Group to provide a range of; breakfast, lunch and after school clubs within schools and outdoor play areas.

Action: WLT will support Action in Rural Sussex Community Rural Open Days 2015.

Action: WLT will seek to develop further activity programmes in care and rest homes.

Action: Through the development of the partnership between Lewes District Council Housing Services and WLT a number of activities will be developed, specifically for tenants living in council housing.



LDC Key Priority 5

"To assist Lewes District Council with undertaking ongoing equalities assessments and monitoring."

Wave Leisure Action

Action: WLT will co-operate fully with LDC regarding any required Equalities Assessments and Monitoring.



Outcome 3: Reducing Environmental Impact

LDC Key Priority 1

"Continue to look for opportunities to increase recycling for customers and staff wherever possible."

Wave Leisure Action

39. For a number of years now WLT has successfully retained the ISO 14001 Environmental Management accreditation which includes recycling.

Action: WLT will continue to provide recycling facilities for WLT staff to re-cycle paper, cardboard, plastic bottles, printer and photocopier cartridges.

Additionally there are facilities for customers to re-cycle plastic bottles. These facilities are audited for effectiveness each year as part of Wave Leisure's Internal Environmental Audits programme and biennial external audits conducted by SAI Global.



LDC Key Priority 2

"When planning future investment with the Council, identify opportunities to reduce energy usage and help to reduce CO₂ emissions. When replacing plant and equipment, cleaner and energy efficient technology should be considered that will help to generate future efficiency savings."

Wave Leisure Action

Action: WLT will ensure that all works take into account "green" factors including efficiency, CO₂ emissions, and up to date technology.

Action: In partnership with Lewes District Council (LDC), WLT will investigate a number of more energy efficient plant and equipment options. Where possible WLT will obtain grants and/or loans to install more energy efficient equipment and plant.

Action: Wave Leisure will closely monitor energy use through its half-hourly Automatic Meter Readings (AMR's) to ensure sound performance monitoring.

Action: WLT will continue the accreditation to the "Social Enterprise Mark" which demonstrates ongoing commitment to people and plant.

Action: WLT will maintain standards in line with ISO 14001.

Agenda Item No: 10.8 **Report No:** 24/15
Report Title: East Sussex Electoral Review
Report To: Cabinet **Date:**
Cabinet Member: Councillor Andy Smith, Lead Member for Corporate Services
Ward(s) Affected: All
Report By: Catherine Knight, Assistant Director of Corporate Services
Contact Officer(s)-
Name(s): Abigail Blanshard
Post Title(s): Electoral Services Manager
E-mail(s): abi.blanshard@lewes.gov.uk
Tel No(s): 01273 484116

Purpose of Report:

To seek Cabinet's views on Lewes District Council's participation in a proposed electoral review across East Sussex.

Officers Recommendation(s):

- 1 To note the proposed electoral review of East Sussex County Council;
 - 2 To note the Local Government Boundary Commission for England's (LGBCE) proposal to carry out an electoral review of Hastings Borough Council and Wealden District Council;
 - 3 To note Rother District Council and Eastbourne Borough Council's position as to requesting the LGBCE to undertake an electoral review of their councils, as set out in paragraph 2.4 of the Report;
 - 4 To recommend to Council:
 - (a) To agree that Lewes District Council undertakes an electoral review of its own ward boundaries as part of the wider review of all East Sussex authorities;
 - (b) To agree the establishment of a countywide project team of officers to work with the LGBCE and oversee the review; and
 - (c) To agree the appointment of a project manager to be funded in equal shares by all councils involved in the review.
-

Reasons for Recommendations

- 1 To ensure that the LGBCE timetable is met and to achieve economies of scale by working together with neighbouring authorities.

Information

2 Background

- 2.1 East Sussex County Council has been notified by the Local Government Boundary Commission for England (LGBCE) that it is to be subject to an electoral review prior to the next County Council elections in May 2017. Hastings Borough Council and Wealden District Council have also been notified that they will be required to undergo an electoral review as they have also triggered the criteria. If Lewes District Council, along with Rother District Council and Eastbourne Borough Council, agree to request an electoral review it is possible that all six authorities could benefit from undergoing a review simultaneously.
- 2.2 There are two primary reasons why authorities will become subject to an electoral review:
 - (a) Electoral inequality – where (through development, movement of people etc.) some councillors represent significantly more – or significantly fewer – electors than other councillors. The LGBCE intervenes and requires an electoral review when there are ‘significant’ levels of electoral inequality between wards or electoral divisions. The ‘trigger’ for a review occurs when 30% of wards/divisions have at least 10% more or fewer electors registered in it than the average for the authority; or where one or more wards has at least 30% more or fewer electors than the average. The intervention criteria are well established and were the subject of consultation with local government in 2010/11.
 - (b) On request – where authorities approach the Commission because they believe a review would help them deliver more effective local government. Since 2010/11 the Commission has carried out around 30 electoral reviews on request.
- 2.3 East Sussex County Council meets the Commission’s intervention criteria (see LGBCE table attached at the Appendix). The Commission has therefore decided to undertake an electoral review before the next County Council Elections in 2017.
- 2.4 Wealden District Council and Hastings Borough Council also meet the LGBCE criteria for electoral review. Rother District Council has requested a review. The decision of Eastbourne Borough Council is not yet known. The LGBCE will therefore be seeking to carry out electoral reviews of at least four of the County’s local authorities over the next two years. It is also likely that Lewes District Council might trigger the criteria in the next few years.
- 2.5 The borough and district councils which do not currently meet the criteria for intervention will have an active role to play in the County Council

review. Electorate data and forecasts will be required across the county and elected Members from all parts of the county will wish to be involved in drawing up boundaries in their area. There are a number of advantages of the County Council and the district and borough councils being reviewed together including:

- Coterminous boundaries – there are advantages for district/borough ward boundaries to be coterminous with county electoral division boundaries. A joint review based on the same electoral data forecasts provides a greater opportunity for coterminous boundaries than separate reviews over a number of years.
- Economies of scale – every electoral review requires local authorities to compile five-year electorate forecasts to ensure that new warding/divisional arrangements deliver electoral equality for voters in the long term. For the County review, the LGBCE will seek to compile data from the whole County. Comprehensive data for the whole County could be most efficiently used by applying it to reviews of the boroughs/districts in East Sussex, rather than asking for new forecasts to be compiled as and when the borough/districts become part of the Commission's work programme in following years.

2.6 As Lewes District Council has 29% of wards with a variance of over 10% it will take very little development or movement of people to trigger a review of our own boundaries. It therefore seems appropriate for the Council to voluntarily agree to take part in the review process.

3 Next steps

- 3.1** Subject to the agreement of the recommendations, a Project Team will be working on electorate forecasts for the whole County for submission to the LGBCE by May 2015. The review proper would not commence until after the May 2015 elections.
- 3.2** It is proposed that a Project Manager, to be jointly funded, be appointed to manage the Team overseeing the review. Given that the cost of the Project Manager would be shared across the East Sussex authorities, the cost to Lewes District Council will be minimal.
- 3.3** Lewes District Council will be represented on the joint Project Team by the Head of Democratic Services, in liaison with the Electoral Services Manager.
- 3.4** A further report on timescales, reporting arrangements, communications strategy and other project factors will be submitted to a future Council meeting.

Financial Appraisal

- 4** Part funding of a joint Project Manager will be required until 2017.

Legal Implications

5 None, save as set out in the report.

Sustainability Implications

6 I have completed the Sustainability Implications Questionnaire and there are no impacts, either positive or negative, as a result of these recommendations.

Risk Management Implications

7 I have completed a risk assessment. The changes/issues covered by this report are not significant in terms of risk. No new risks will arise whether or not the recommendations are implemented or rejected.

Equality Screening

8 Equalities screening was undertaken on 13 January 2015. As only positive implications were identified, a full equalities analysis is not required.

Background Papers

9 None

Appendix

10 LGBCE table of electoral review criteria

Appendix 1

LGBCE Table of Review Criteria

Local Authority	Cycle	Election years	Electorate	No of cllrs	Ratio electors/cllrs	Percentage over 10%	No over 30%
East Sussex	Whole	2017 2021	399,518	49	8,153	30.61	
Wealden	Whole	2015 2019	118,560	55	2,156	25.71	1
Hastings	Halves	2016 2018	61,181	32	1,912	37.5	
Lewes	Whole	2015 2019	75,917	41	1,852	29	
Eastbourne	Whole	2015 2019	73,242	27	2,713	22	
Rother	Whole	2015 2019	70,223	38	1,848	20	

Agenda Item No: 10.9 **Report No:** 25/15
Report Title: Independent Remuneration Panel – Members’ Allowances Scheme
Report To: Cabinet **Date:** 12 February 2015
Cabinet Member: Councillor Rob Blackman
Ward(s) Affected: All
Report By: Catherine Knight, Assistant Director of Corporate Services
Contact Officer(s)-
Name(s): Zoe Downton
Post Title(s): Committee Officer
E-mail(s): zoe.downton@lewes.gov.uk
Tel No(s): 01273 471600

Purpose of Report:

To consider the recommendations of the Independent Remuneration Panel on Members’ Allowances.

Officers Recommendation(s):

- 1 To consider the report and recommendations of the Council’s Independent Remuneration Panel, together with the financial appraisal of the Head of Finance, and to formulate recommendations for consideration by Full Council on 25 February 2015.

Reasons for Recommendations

- 1 To comply with the Local Authorities (Members’ Allowances) (England) Regulations 2003.

Information

- 2 Councils are required to establish and maintain an Independent Remuneration Panel (IRP), the purpose of which is to make recommendations to the local authority about the allowances to be paid to its councillors. The Regulations require the Council to have regard to the recommendations made to it by an IRP before it agrees or amends its Members’ Allowances Scheme (Regulation 19.1)
- 3 When Council considered the previous full report of the IRP in November 2010, the agreed basic allowance, special responsibility allowances and the dependent carers’ allowance rates were subject to index linking, an arrangement which should not be relied upon for more than four years

(Regulation 10.5). A full review of the Members' Allowances Scheme was therefore anticipated for 2014.

- 4 Cabinet recommended to Council and it was subsequently agreed at a meeting of the Council on 15 October 2014, that the IRP should reconvene in view of the statutory requirement to make a review.
- 5 The IRP appointed by the Cabinet and Council met on 11 and 12 December 2014 and its report is attached at Appendix A.
- 6 The Regulations require the Council to publicise the recommendations of the Panel, the agreed scheme and actual allowances paid to councillors each year. Arrangements are in hand for the required notice to be published in accordance with the Regulations.
- 7 Notification of the review was given to each Town and Parish Council within the District. No specific matters were raised in response and as such the Panel was not requested to review and/or make recommendations on the current allowances of any such Town or Parish Council.

Financial Appraisal of the Recommendations of the Independent Remuneration Panel:

- 8 Appendix 1 to the IRP's Report summarises the recommendations of the IRP along with the current amount of each type of allowance.
- 9 The draft General Fund and Housing Revenue Account budgets for 2015/2016 which Cabinet will consider at this meeting included an average increase in all Councillors' allowances of 2.2%, mirroring the average pay increase for employees. The impact of the IRP's recommendations is an increase of £500 (16.7%) in the Basic Allowance, with Special Responsibility Allowances increasing or decreasing by varying amounts, equating to an average decrease of 7.2%. Total costs are shown below:

	2015/16 Draft Budget £	IRP Recommendation £
Basic Allowances	125,900	143,700
Special Responsibility Allowances	75,600	68,700
Total	201,500	212,400

- 10 The overall financial effect of the IRP's recommendations, compared with the draft 2015/2016 budget is an increase of £10,900, of which £9,100 would fall on the General Fund and £1,800 on the Housing Revenue Account. If Cabinet and Council accept the IRP's recommendations, the General Fund savings target for 2015/2016 will be increased and there will be an additional call on the Housing Revenue Account working balance.

Legal Implications

- 11 There are no legal implications arising as a result of this report.

Sustainability Implications

- 12** I have completed the Sustainability Implications Questionnaire and there are no significant effects as a result of the recommendation within this report.

Risk Management Implications

- 13** In accordance with the Council's Risk Management methodology the following risks and mitigating factors have been identified: Council is obliged by statute to have regard to the recommendations made to it by an Independent Remuneration Panel before it adopts a new Members' Allowances Scheme and this obligation is met by considering the above recommendations.

Equality Screening

- 14** I have completed the initial Equality Impact Assessment screening exercise and have identified no negative impacts arising from this Report. Therefore, a full Equality Impact Assessment is not required.

Background Papers

15

15.1 The report of the Independent Remuneration Panel 2014 (Appendix A) and the documents referred to in that report.

15.2 Local Authorities (Members' Allowances) (England) Regulations 2003 - <http://www.legislation.gov.uk/uksi/2003/1021/contents/made>

Appendices

- 16** Appendix A: Report of the Independent Remuneration Panel December 2014



**A REVIEW OF
MEMBERS' ALLOWANCES
FOR
LEWES DISTRICT COUNCIL**

**THE REPORT BY THE
INDEPENDENT REMUNERATION PANEL**

DECEMBER 2014

**South East Employers
2 Crown Walk
Jewry Street
Winchester
Hampshire
S023 8BB**

FOREWORD

This report has been produced for Lewes District Council as part of the Council's requirement to receive independent advice from its statutory advisory panel on members' allowances. The membership of the Panel was Rosey Eggar, Independent Panel Member, a local resident, trustee and manager of various local charity and voluntary organisations. Alasdair Smith, Independent Panel Member, local resident and former Vice Chancellor of the University of Sussex. Mark Palmer, Development Director, South East Employers and Chair of the Panel.

The Panel would also like to record its gratitude to the Members and Officers of Lewes District Council who were interviewed or provided information for the Panel's consideration.

Mark Palmer
Chair of the Independent Remuneration Panel

1. Introduction and Terms of Reference

A review of the Lewes District Council Members' Allowances Scheme was conducted by the Independent Remuneration Panel at the request of the Council in response to the requirement that all councils are required to convene their Panel and seek its advice before they make any changes or amendments to their members' allowances scheme. The Panel was convened under The Local Authorities' (Members' Allowances) (England) Regulations (SI 1021) ("the 2003 Regulations").

The Panel met on the 11th and 12th December 2014. The Panel interviewed and consulted the following Members and Officers as part of the review:

- Catherine Knight; Assistant Director of Corporate Services.
- Jackie Gavigan; Head of Democratic Services.
- Councillor Rob Blackman; Leader of the Council and Leader of the Conservative Group.
- Councillor Tony Nicholson; Conservative Group, Chair of Council.
- Councillor Paul Franklin; Conservative Group, Cabinet Member for Service Delivery.
- Councillor Sarah Osborne; Leader of the Liberal Democrat Group and Chair of the Scrutiny Committee.
- Councillor Steve Saunders; Deputy Leader of the Liberal Democrat Group.
- Councillor Stephen Gauntlett; Liberal Democrat Group Member of the Audit & Standards, Employment, Licensing and Scrutiny Committee.
- Councillor Chris Bowers; Liberal Democrat Group.
- Councillor Ruth O'Keeffe; Independent Member and Vice-Chair of the Council.
- Councillor Tom Jones; Conservative Group, Cabinet Member for Strategy and Development.
- Councillor Ian Eiloart; Liberal Democrat Group and Chair of Audit & Standards Committee.

2. Work of the Panel

The remit of the Panel was to consider and review the Members' Allowance Scheme. The Panel in particular reviewed the Allowance Scheme in relation to the following:

- Basic Allowance.
- Special Responsibility Allowances (SRA's).
- Scrutiny Committee: To consider whether the Chair of the Scrutiny Committee should receive a higher SRA more in line with the allowance paid to other Committee Chairs.
- To consider if Members of the Scrutiny Committee should receive an SRA.
- To consider whether the Vice-Chair of the Scrutiny Committee should receive an SRA.
- To consider the threshold of the number of Panel meetings which would enable members of the Scrutiny Panels to receive an SRA.
- Cabinet: To consider whether another allowance that takes into account the role/remit required of the 'Tier Two' Cabinet Members, in the light of the recent changes to the Cabinet structure.
- To consider the introduction of an allowance for the role of Deputy Leader.
- To consider whether the Leaders of the other Opposition Groups should receive an allowance, as the Leader of the main opposition Group currently does.
- To review the index for allowances and its implementation; and
- Any matters related to the Members' Allowance Scheme that may be raised during the review process.

The Panel requested information from officers to assist the review. Members were invited to give their views to the Panel on the allowance rates, ratios and differentials in the SRA's and

other matters they wished to raise. The consultation was supported by a questionnaire (Appendix 2) that was completed by 20 of the 41 Members (49%).

The Panel met over two days and in coming to its recommendations, took into account the following:

- Current Members' Allowance Scheme.
- The Local Authorities (Members' Allowances) (England) Regulations 2003.
- Comparison data with similar unitary Councils regionally and nationally.
- The role and responsibilities of the ward Member and those roles attracting a SRA.
- Feedback from Members through interviews and the completed questionnaires.
- Councillor Census data produced by the Local Government Association (LGA). 2013 Census of Local Authority Councillors.
- Comparison data in respect of other District/ Borough Councils in Sussex, National Minimum Wage (NMW), The Living Wage (LW), Average Weekly Earnings and the National Joint Council (NJC) for Local Authorities pay rates/percentage increases.
- Other relevant information to support the Panel's considerations and recommendations.

3. Considerations and Recommendations of the Panel

A. Basic Allowance

A local authority's scheme of allowances must include provision for a Basic Allowance that is payable at an equal flat rate to all Members. The statutory guidance on arriving at the Basic Allowances states:

Having established what local Councillors do, and the hours which are devoted to these tasks, the local authorities will need to take a view on the rate at which, and the number of hours for which, Councillors ought to be remunerated.¹

The statutory guidance also lists the following three variables for the Panel to address when calculating the Basic Allowance:

- *What time is necessary to fulfil the role of the front-line councillor?*
- *What amount of that time should be viewed as given as public service, known as the public service discount (PSD)?*
- *At what rate should the remunerated hours be paid?²*

¹ The former Office of Deputy Prime Minister – now the Department of Communities and Local Government, and Inland Revenue, *New Council Constitutions: Guidance on Consolidated Regulations for Local Authority Allowances*, London: TSO, July 2003, par 67.

² See *Consolidated Guidance* July 2003, pars 68-69 for further details.

Setting the Basic Allowance – Expected Time Inputs

The Panel wanted to review the time Councillors felt it was necessary to put in to do an effective job, rather than what Councillors actually put in, which the Panel recognised varies considerably. Responses received indicated a very wide range of time spent on Council business, with Councillors finding it very difficult to indicate a view on what the time commitment would be for a Councillor to fulfil the average expectations of constituents and the Council.

The average number of hours assessed at the 2010 review was 9 hours per week. The majority of Councillors responding to the questionnaire in this review (2014) felt that this figure was 'about right' (11 of 17 responses to the question). As well as hearing about constituency duties, the Panel also received information about the number, range and the comparative frequency of committee meetings.

Thus, based on evidence received from interviews and from the questionnaire, the Panel took the view that the time input required at Lewes District Council should remain as previously assessed, namely 9 hours per week.

The Voluntary Principle – or Public Services Ethos

This is the principle that an important part of being a Councillor is the desire to serve the public and therefore, not all of what a Councillor does should be remunerated; a portion of a Councillor's time should be given voluntarily. Moreover, the consolidated statutory guidance requires Panels to recognise this principle when arriving at the recommended Basic Allowance.

The Panel noted that the 2010 Panel had recommended a Public Service Discount (or PSD) of 33.3%. In this 2014 review, the Panel found that Councillors still demonstrated a very high sense of public duty.

Based on evidence received, the Panel recommends that 33% of the Councillor's time be given *pro bono publico*, which discounted from 9 hours (see above) is 3 hours (as recommended by the previous Panel). This leaves 6 hours per week, or 312 hours per year to be remunerated.

The Rate of the Job

After establishing a remunerated expected time input, the Panel then considered what an appropriate benchmark was to assess a Councillor's worth; in other words, to establish a rate for the job. It was noted that in recent years, a number of Independent Remuneration Panels within the region have used the median hourly earnings for the local authority area (as a place of work) as part of the formula to calculate the Basic Allowance. These figures are produced by the Office for National Statistics, which publishes the Annual Survey of Hours and Earnings (ASHE).

The Panel therefore used the figure given in the 2014 ASHE report for median hourly earnings (excluding overtime) for full-time workers in the Lewes District Council area, which is £13.41 per hour.

Calculating the Basic Allowance

Having agreed the minimum number of hours needed per week, the level of PSD to then be applied and the hourly rate to be used, the Panel calculated the Basic Allowance as follows:

312 hours (this includes the Public Sector Discount (33%)) x £13.41, would give an allowance of £4,184 per annum. This basic allowance is intended to recognise the overall contribution made by Members, including their work on Council committees and panels, in addition to ward work and attendance on outside bodies. It is also expected to cover members' expenditure on matters such as telephone and postage costs.

The current Basic Allowance is £3005 which is the second lowest across the Districts and Boroughs across Sussex, only Eastbourne BC has a lower Basic Allowance at £2,808. The average allowance for Sussex District and Borough Councils is £4,387.

We recognise that any increase in the Basic Allowance is politically difficult particularly during an election year and at a time of general restraint on public expenditure and public pay. The Panel took the view that the Basic Allowance should be increased, and that an increase to £4,184 was justified both on the basis of median earnings in Lewes and also on the basis of comparison with other Councils in Sussex. However, we also recognised that an increase of £1,179 in the allowance would have significant cost implications as well as being difficult to justify to the electorate. Following the interviews, the Panel was therefore of the view that an increase of £500 per annum be recommended to begin to bring the Basic Allowance closer to the average for Sussex District and Borough Councils.

The Panel was also aware that a Boundary Commission electoral review was likely to be scheduled that may recommend a reduction in the number of District Council Members. Should a Boundary Commission electoral review take place and make such recommendations then the Panel would wish to meet to review the Basic Allowance within the context of the new Council.

Council	Sussex District and Borough Councils Basic Allowances (£'s) 2014/15 (SE Members Allowances Survey 2014)
Adur DC	3,600
Arun DC	5,055
Chichester DC	4,438
Crawley BC	5,949
Eastbourne BC	2,808
Horsham DC	4,605
Lewes DC	3,005
Mid Sussex DC	4,501
Rother DC	4,237
Wealden DC	4,300
Worthing DC	4,545
Hastings DC	5,599
Average	4,387

Recommendation: That the Basic Allowance be increased to £3,502 (an increase of £500). The Basic Allowance will still be considerably lower than the average for Sussex District and Borough Councils that is currently £4,387. Following and subject to the outcome of the Boundary Commission electoral review, the Panel would wish to meet to determine an appropriate Basic Allowance for the Council.

B. Special Responsibility Allowances

The statutory guidance led the Panel to make recommendations on the Special Responsibility Allowances, both the amount paid and the positions which qualified for such an allowance, with a number of principles in mind, namely:

- A position would need to show that it carried *significant additional responsibility* for the post to recommend a SRA.
- That the allowances are a compensatory recompense for the time and skills that members bring to the role of councillor and should be set at a level which will encourage others to enter into public life and should be sufficient that no-one is 'out-of-pocket' because they participate in local democracy. However, they should not be seen as the equivalent of a professional salary.
- That no councillor shall be entitled to receive at any time more than one special responsibility allowance.

In calculating the SRA's the approach taken is to use the same rate as the one used to formulate the Basic Allowance. This is the approach taken by the Panel in its recommendations for levels of SRA set out below.

The Panel noted that the Council had determined to base the SRA's using a multiplier of the Basic Allowance. The Panel makes the following recommendations to the SRA's.

Council Leader

The SRA for the Leader of the Council to continue to remain unchanged at the current rate of **£13,937**.

Cabinet Members

A new structure for the Cabinet was put in place by the Council Leader from February 2014. The new structure consists of two tiers of Cabinet Member:

- Tier One (3 Members) are Cabinet Members with Portfolio and have policy making responsibilities and some service delivery responsibility. They currently receive an allowance of £5,574, 40% of the Leader's allowance.
- Tier Two (3 Members) are Cabinet Members with delegated portfolio responsibilities and are responsible for service delivery and currently receive the same SRA as a Tier 1 Cabinet Member.

The Panel were of the view that the different role and responsibilities of the Tier 1 and Tier 2 Cabinet Members should be reflected in the level of allowance.

Recommendation: The Tier 1 Cabinet Member to continue to receive a SRA of **£5,574**, 40% of the Leader's Allowance. The Tier 2 Cabinet Members to receive an allowance of **£4181**, 30% of the Leader's Allowance.

Chair and Vice-Chair of Planning

The Panel recommends no change to the level of SRA for the Chair of Planning at 30% of the Leader's Allowance, £4181. The Vice-Chair of Planning Applications Committee to continue to receive an allowance of £697.

Members of the Planning Committee

The Panel recommends that no change be made to the allowance for Planning Applications Committee Members of £502 per Member.

Chair of Audit & Standards Committee

Recommendation: The Panel recommends that the allowance for the Chair of the Audit & Standards Committee be reduced from 30% to 20% of the Leader's Allowance, £2787.

Chair of Scrutiny Committee

The Member interviews informed the Panel of the importance and the impact of the role of Overview and Scrutiny and in particular the Chair's role in leading the Committee. The December 2011 Panel meeting made reference to the importance of the Scrutiny Committee within the Strong Leader model of governance. The Panel were of the view that the role of Scrutiny Chair should be viewed as of equal importance to that of the Planning Applications Committee and therefore recommend that the Chair of the Scrutiny Committee should receive an SRA of 30% of the Leader's Allowance, £4181.

The Panel was also of the view that Scrutiny Committee members should not receive any allowance for being members of the Committee.

Recommendation: The Chair of the Scrutiny Committee to receive an SRA of 30% of the Leader's Allowance, £4181.

Scrutiny Panel Chair and Members

The Panel recommends that Scrutiny Panel Members and the Chair of the Panels receive no SRA.

Chair of Licensing Committee

The Panel recommends that the Licensing Committee Chair continues to receive a rate of £56.50 per meeting of the Licensing Committee. The Panel was informed that the number of Licensing Committee meetings had fallen over the last two years.

Threshold Allowance for Scrutiny and Licensing Sub-Committee Panels

The Council has since 2005 had a threshold or "sliding scale" SRA in place for Members who sit on either a Licensing Sub-Committee or Scrutiny Panel. This allowance was devised to be paid to those Members attending over 12 meetings of the Sub-Committee or Panel over the course of a year. They are banded 13-26 sessions, 27-40 sessions and 41 plus sessions, with the SRA rising in accordance.

The Panel noted that this particular SRA had been introduced in anticipation of a more onerous work load for the Sub-Committee and Panels but in fact the workload has fallen dramatically and the minimum threshold of 12 meetings is not being met by either the Panel or Sub-Committee.

Recommendation: The threshold/"sliding scale" SRA for the Licensing Sub-Committee and Scrutiny Panels be abolished and no SRA to be paid to Panel or Licensing Sub-Committee Members.

Opposition Group Leaders

The current allowance for the Opposition Group Leader is currently £4,181, 30% of the Council Leader's allowance. The Panel is of the view that the allowance for Opposition Group Leader needs to better reflect the size of the political group. The Panel recognise that it is a critically important role to organise, manage and develop a political group and the role also supports local democracy and local accountability.

However, the complexity of the role of Opposition Group Leader is impacted by the size of political group that the Leader has to oversee.

The Panel are of the view that 'all' Opposition Group Leaders should receive an SRA based on the number of Members within the group and this should be based on a per Member payment. The Panel are also of the view that the Leader of the Opposition Group should not receive an SRA greater than that of a Tier 2 Cabinet Member since the Cabinet Members are the key decision makers.

The Panel recommends that 'all' the Opposition Group Leaders should receive an SRA equal to 1/21th of £4181, multiplied by the number of Members within their group. The figure 21 is chosen as it is half (50%) the number of all Members (41 Members). This ensures that the SRA for Opposition Group Leader is never more than that of a Tier 2 Cabinet Member.

Recommendation: The Panel recommends that an SRA for each Opposition/Minority Group Leader be introduced. The SRA for the Opposition Group Leaders be based on the size of the opposition group. Each Opposition Group Leader should receive an allowance equal to 1/21th the Basic Allowance multiplied by the number of Members within the Group. This will need to be reviewed after each election, by-election or should there be a vacancy in a ward or a defection to another party.

The current recommended Opposition Group Leader allowances are as follows:

Liberal Democrat Group Leader – 17 Members x £199 per Group Member = **£ 3383**

UKIP Group Leader – 2 Members x £199 per Group Member = **£ 398**

Independent Group Leader – 2 Members x £ 199 per Group Member = **£ 398**

Deputy Leader

In accordance with the Local Government and Public Involvement in Health Act 2007, the Council Leader is required to appoint a Deputy. The Panel considered whether a SRA should be paid to the Deputy Leader.

Recommendation: The Panel recommend that, as the role of the Deputy Leader has always been a Cabinet Member and has received a SRA for the tier1 Cabinet Member role, then their should be no separate allowance for the role of Deputy Leader.

C. Carers Allowance

The Council currently has a structure of allowances for carers based on payment of actual expenditure incurred up to a maximum of £10.15 per hour. The rate is indexed in line with the percentage increase in staff pay awards.

Recommendation: The Panel recommends that there be no change to the current provision for the carer's allowance, namely payment of actual expenditure incurred up to a maximum of £10.15 per hour.

D. Communications/ IT

The Panel continues to support the current approach in respect of the provision of communications and IT support. In respect of IT equipment and hardware, Councillors can use their own equipment or be provided with equipment (usually a lap top/printer). Councillors are responsible for their own broadband line, although the IT Unit can advise Councillors on options available. Councillors are provided with or are reimbursed for the cost of printer consumables e.g. ink cartridges. Blackberry mobile devices are provided to Councillors who need to keep in touch with Council business whilst on the move.

Recommendation: That no change be made to the current communications and IT provision.

E. Travel and Subsistence.

The Members' Allowances Scheme reimburses travel by car at the HMRC Approved Mileage Allowance Payment. Subsistence rates for undertaking 'Approved Duties' are adjusted in line with the rate for District Council employees. The Panel **recommends** that the current approach to travel and subsistence rates continues and is adjusted in line with the rate for Council employees.

F. Indexation of Members Allowances

Councillor's allowances and the Dependent Carer's Allowance are currently indexed annually in line with the staff pay award. The Panel **recommends** that allowances continue to be indexed in line with the staff pay award.

4. Implementation of the Recommendations

As permitted by the 2003 Members' Allowances Regulations (paragraph 10.6) it is recommended that the new Members' Allowances scheme as recommended in this report is implemented from 1st April 2015.

Appendix 1

Recommendations of the Panel – Members’ Allowance Scheme

Allowance Scheme	Current Allowance (£)	Recommended Allowance (£)	Recommended Allowance Calculation
Basic Allowance	3,005	3,505	
Leader of the Council	13,937	13,937	
Cabinet Member Tier 1	5,574	5,574	40% of Leader’s allowance
Cabinet Member Tier 2	5,574	4,181	30% of Leader’s Allowance
Chair of Planning	4,181	4,181	30% of Leader’s Allowance
Member of Planning	502	502	
Vice-Chair of Planning	697	697	5% of Leader’s Allowance
Chair of Licensing	56.50	56.50	Payment per meeting
Chair of Scrutiny	3,344	4,181	30% of Leader’s Allowance
Chair of Audit & Standards	4,181	2,787	20% of Leader’s Allowance
Opposition Group Leader	4,181	199 per Group Member	Based on a per Group Member figure (1/21 st of £4,181)
Chair of the Council	2,091	2,091	15% of Leader’s allowance
Chair of Employment	1,045	1,045	7.5% of Leader’s allowance
Co-opted Members	28.30 per meeting	28.30 per meeting	Maximum of £140 per annum
Carers Allowance	10.15 per hour	10.15 per hour	Increased in line with staff pay %
Travel	45p	45p	HM Revenue and Customs Rate. Per mile for the first 10,000 miles

Agenda Item No: 10.10 **Report No:** 26/15
Report Title: Superfast Broadband for Businesses
Report To: Cabinet **Date:** 12 February 2015
Cabinet Member: Cllr Rob Blackman
Ward(s) Affected: All Newhaven Wards
Report By: Nazeya Hussain – Director of Business Strategy & Development
Contact Officers-
Name(s): Max Woodford
Post Title(s): Head of Regeneration & Investment
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Purpose of Report:

To provide an overview of the potential for a superfast wireless broadband network in Newhaven as a pilot programme prior to roll-out to other locations. This will potentially utilise an extension of the connection voucher scheme to Newhaven.

Officers Recommendation(s):

- 1** To agree an initial investment grant of £20,000 into the roll out of equipment to deliver the capability of superfast wireless broadband in Newhaven during summer 2015 as a pilot programme.
- 2** Subject to the Director of Business Strategy and Development in consultation with the Lead Member being satisfied that there is a sound business case, the Director is authorised to make a further grant of between £50,000 and £70,000 to achieve full roll out as set out in this report
- 3** Recommendations 1 and 2 above shall not be implemented until the Assistant Director of Corporate Services confirms that they are state aid compliant.

Reasons for Recommendations

- 1** Newhaven is typical of many smaller towns in the UK in that major Telecommunications Companies have a strong focus on the supply of high speed broadband services to residential areas, leaving business districts a choice of either:

- a) Extremely slow broadband speeds derived from ageing network infrastructure that is only capable of supporting legacy broadband offerings such as ADSL2+; or
- b) Adoption of premium leased line services that are only affordable by larger organisations.

Information

2 Local Challenges and Issues

- 2.1** Newhaven faces a number of challenges and opportunities. These include pockets of high unemployment, low skills and poverty of aspiration; a weak economic base associated with the decline in traditional port and related manufacturing industries; and poor quality commercial property that is unsuitable for modern business needs within emerging higher value sectors.
- 2.2** Newhaven has a real opportunity for growth, with money being committed through the Greater Brighton City Deal to improve flood defences in the town, as well as the identified opportunity to establish Newhaven as a 'Clean Tech' Growth Hub linked to the development of the University Technical College, E.ON's Rampion offshore wind farm and Veolia's Energy Recovery Facility, as well as the Newhaven Growth Quarter project to create additional business support units on Denton Island.
- 2.3** According to East Sussex in Figures, out of 397 sets of non-residential premises, there are just over 360 businesses in Newhaven operating in the following sectors:

Industry Sector	% of Jobs	Industry Sector	% of Jobs
Agriculture, Mining and Utilities	2.6	Manufacturing	8.5
Construction	9.1	Wholesale and retail trade; repair of motors	17.0
Transport and storage	7.1	Accommodation and food service activities	5.2
Information and communication	2.0	Finance, insurance and real estate	5.1
Professional, scientific and technical activities	4.0	Administrative and support service activities	4.8
Public administration and defence; compulsory social security	6.8	Education	9.0
Human health and social work activities	14.2	Other	4.6

3 Current Broadband Situation in Newhaven

- 3.1** Currently, BT is the only Telecommunications Company with network coverage across all residential and business areas of Newhaven. There is a limited level of coverage by other key national providers (eg. Virgin Media).
- 3.2** BT's Newhaven Exchange currently has Fibre to the Cabinet (FTTC¹) available. However the company's focus is on delivery of services to areas of high density residential housing. As a result, there are currently

¹ <http://www.thinkbroadband.com/guide/fibre-to-the-cabinet> Page 234 of 240

no guaranteed timescales for delivery of superfast broadband to the industrial and business parts of Newhaven, such as Avis Way.

3.3 We understand that the lack of high speed commercial broadband is a source of growing frustration amongst local business leaders. Typical opinions expressed about this topic include:

- It is a major impediment to efficiency with many hours of productivity being lost each day just waiting for downloads to complete.
- Some applications, such as remote working or eCommerce, are simply not possible.
- The lack of being able to engage with customers via high speed connections casts the business in a poor light and can result in loss of sales.
- The lack of access to relatively cost effective cloud-based services can result in the business having to spend more than it needs to.
- With growing pressure for better connectivity, businesses find themselves having to consider relocation to areas where better connectivity is available.

3.4 Discussions with Basepoint (who operate Newhaven Enterprise Centre on behalf of LDC) have highlighted that they are frequently contacted by tenants regarding the availability of superfast broadband, and they are already looking at ways to explore enhancing connectivity speeds due to the full occupancy of the Centre at present.

4 Superfast Broadband

4.1 A good deal of work has already been carried out in order to establish the feasibility of providing superfast broadband services to the town. This has included analysis and studies to identify suitable sites from where the service can be delivered and viable routes to 'backhaul'² the high speed connections required to the core network.

4.2 LDC has been approached by CloudConnx, an Eastbourne-based service provider, which has established a joint venture with Eastbourne Borough Council to develop Eastbourne as the most digitally enabled business environment along the South East Coast. CloudConnx is now rolling out this service across Wealden and other parts of East Sussex. Newhaven has been proposed as the ideal location for a pilot programme for the Lewes District.

4.3 Having carried out extensive research, CloudConnx has identified that a range of high speed, high quality broadband services could be made available to the business community in Newhaven by early summer 2015.

² [http://en.wikipedia.org/wiki/Backhaul_\(telecommunications\)](http://en.wikipedia.org/wiki/Backhaul_(telecommunications)) Page 25 of 240

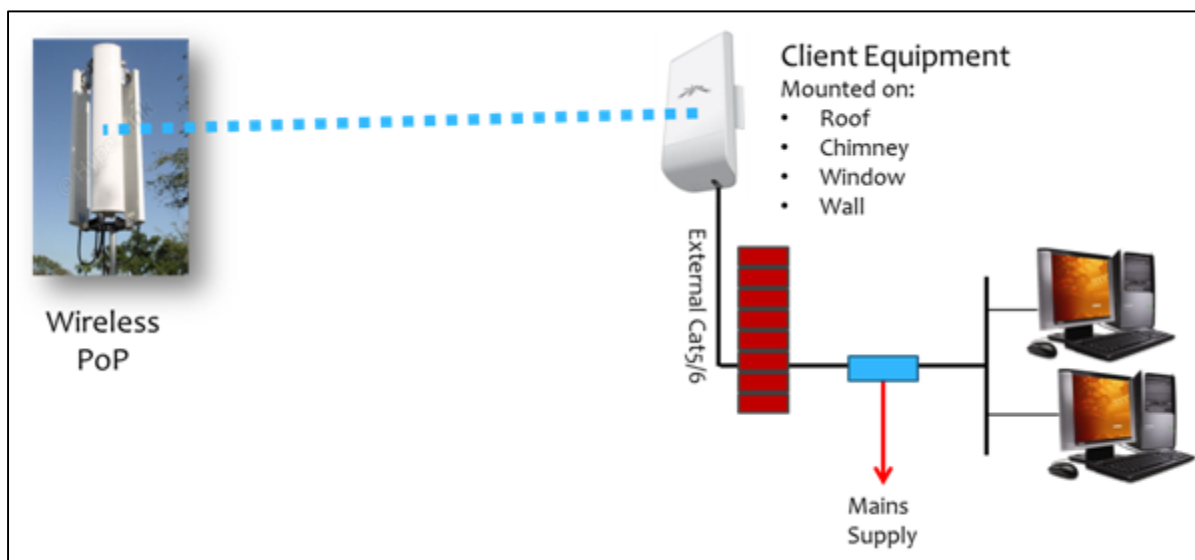
- 4.4** In parallel to this, Broadband Development UK (BDUK - a part of the Department for Culture, Media and Sport) have invited LDC to apply to become part of the [connection voucher scheme](#). This scheme offers a grant of up to £3,000 towards the capital cost of new high speed internet connection for SMEs. The scheme is an extension of the existing Brighton & Hove connection voucher scheme. BDUK are suggesting a 5-mile extension to the boundary, and only in main urban centres, meaning we can cover Newhaven and Lewes town. SMEs will be able to use a connection voucher to install the equipment necessary to access the new wireless broadband network.

5 Cloud ConnX

- 5.1** CloudConnX is a superfast broadband and Internet Services Provider (ISP) based in Eastbourne. A key focus of the company is to improve the availability and quality of high speed internet services in East Sussex as part of our commitment to the economic development of the county.
- 5.2** The CloudConnX wireless network offers core speeds of between 20 and 100 Megabytes per second (mb/s) and can go up to 1 Gigabyte. CloudConnX offers businesses guaranteed minimum broadband speeds, which sets the service apart from many other ISP's. Equally, over the past four years of trading the service has achieved more than 99.99% reliability, which is more than other networks.
- 5.3** CloudConnX's portfolio includes the following capabilities:
- Wireless broadband and leased lines
 - Public and private Wi-Fi
 - Traditional copper and fibre broadband services
 - Leased line and bespoke networks
 - Optical fibre overlay for large buildings, campus environments, trading estates and housing developments
 - Data centre services including co-location and hosting (virtual and dedicated)
 - Voice over IP (VoIP) services
 - Data backup and disaster recovery
 - File sharing and collaboration services.
- 5.4** CloudConnX has a rapidly expanding client base, including LDC (delivering public WiFi services at Southover House), as well as Eastbourne Borough Council and Brighton & Hove City Council. In May 2012, a 'ground-breaking' new digital communications network was

launched³ in Eastbourne by CloudConnx. This is an example of the service proposed initially for Newhaven. Eastbourne Borough Council is a non-controlling shareholder in CloudConnX.

- 5.5** CloudConnX are not reliant on third party Telecommunications networks, nor access to pavements or subterranean ducts, and so there is very little disruption to roads during installation as well as minimal delays from third parties.
- 5.6** From a customer perspective, the CloudConnX service is a tried and tested approach, that is delivered via an unobtrusive piece of equipment (see below), mounted on the roof of the premises, cabled into a convenient location such as a computer room or network cupboard where it connects to the customer's existing route or one provided by CloudConnX. The service does not require a phone line, which results in an immediate line rental saving.



6 Investment Requirements

- 6.1** As noted in paragraph 4.1, a good deal of work has already been carried out by CloudConnX. The company has also approached landlords of some key sites, who have been amenable to the idea of providing accommodation on a commercial basis.
- 6.2** In order to complete the detailed design and secure tenure for a foundation Point of Presence (PoP), an initial investment of £20,000 would be required. This investment would enable CloudConnX to get to a deployment stage by finalising agreements with site owners and cover set-up fees for the all-important optical fibre circuits from the chosen sites required to connect to the network. It is this initial investment that members are being asked to authorise on the grounds that it will help to prove the concept and lay the groundwork for a full roll out.

³ <http://www.cloudconnx.net/latest-news/minister-launches-new-digital-communications-network-in-eastbourne/>

7 Full Roll-out

- 7.1** Having secured tenure for the PoP's and placed orders for the optical fibre backhaul connections to the core CloudConnX network, the build out of appropriate network infrastructure would follow. This phase would also include procurement of routing and edge network equipment, installation, configuration and commissioning.
- 7.2** During the full roll-out, LDC's Regeneration & Investment team would assist CloudConnX in developing a marketing plan for all businesses in Newhaven, with the key objective of ensuring rapid adoption. LDC would also ensure that this plan included scope for factoring in impending developments, including Newhaven Growth Quarter and the Shared Service Facility.
- 7.3** To complete full roll-out of the network would require further investment of between £50,000 and £70,000 (plus VAT) to ensure rapid roll-out during early summer 2015. It is proposed that the Director of Business Strategy and Development be authorised to negotiate and enter into an agreement with CloudConnx on the full roll out. That negotiation would need to explore what potential returns there might be to LDC for making that additional investment. However, the key driver for this investment is economic development based, rather than being to ensure a commercial return.

Financial Appraisal

8 The Finance Department has made the following comments:

- 8.1** The Council's initial investment of £20,000 can be funded from monies held in the Business Rates Equalisation Reserve and which are allocated within the budget to support local businesses. This Reserve would be a potential source of funding for a further investment of between £50,000 and £70,000, should a business case support it,

Legal Implications

9 The Legal Services Department has made the following comments:

- 9.1** This report proposes the giving of grant aid to CloudConnX rather than the procurement of works, goods or services.
- 9.2** The proposed grant aid should be checked to ensure that it does not amount to unlawful "state aid". The Treaty on the Functioning of the European Union (TFEU) sets out the basis for the state aid rules. Broadly speaking, state aid is a member state's financial aid which favours selected undertakings and has the potential to distort competition and affect trade between EU member states. An undertaking is an entity which is engaged in economic activity (i.e. it puts goods or services on a given market).
- 9.3** Public funding and state aid are not one and the same, i.e. public funding is not necessarily state aid. All the criteria set out in the TEFU must be

met for state aid to be present. Furthermore, not all state aid is unlawful. For example, certain types of aid are authorised under EU regulations.

9.4 Unauthorised state aid is unlawful. There are consequences for giving unlawful state aid. These include the following:

- (a)** aid payments and schemes can be suspended.
- (b)** recipients may have to repay the state aid with interest.
- (c)** the state entity giving the aid and the recipient could be sued by a competitor for damages.

9.5 The proposal to give grant aid should be checked to ensure that it does not constitute unlawful state aid. The Assistant Director of Corporate Services will be able to confirm whether the proposed grant aid is state aid compliant.

Sustainability Implications

10 I have completed the Sustainability Implications Questionnaire and there are no significant effects as a result of these recommendations.

Risk Management Implications

11 I have completed a Risk Assessment. The following risks will arise if the recommendations are not implemented, and I propose to mitigate these risks in the following ways.

There is a risk that Newhaven is viewed unfavourably due to a lack of connectivity hindering modern business needs. This risk can be mitigated through the range of regeneration projects planned / underway in Newhaven which should enhance the town's reputation and economic base.

12 The following risks will arise if the recommendations are implemented, and I propose to mitigate these risks in the following ways:

Risk	Mitigation
Revenues at Newhaven Enterprise Centre may decline due to wider connectivity.	CloudConnX has agreed to work in partnership with Basepoint to ensure that NEC tenants benefit from the proposals.
Lack of sign-up by local landowners / landlords	CloudConnX has undertaken initial discussions with a range of landowners, who have been amenable to the idea of providing accommodation on a commercial basis.
Loss of contractor due to insolvency.	CloudConnX are an established ISP that have successfully been working with Eastbourne Borough Council since 2012.
The Government's Connection Vouchers scheme is not extended to Newhaven or Lewes Town meaning that local businesses	BDUK are suggesting a 5-mile extension to the boundary for Brighton & Hove that will cover Newhaven.

are unable to afford the new service.	
Lack of uptake by local businesses.	Local business leaders have expressed considerable frustration at the lack of connectivity in Newhaven.
Further investment is needed to get the pilot operational.	Appropriate due diligence will be undertaken by LDC Officers prior to entering into a formal agreement.
The new superfast network is unreliable	Over the past four years, the service has achieved more than 99.99% reliability, which is more than other networks.

Equality Screening

- 13** I have undertaken a Screening report, which has recommended that a full Equality Analysis is not required. There are no impacts arising to any group from the recommendations contained within this report.

Background Papers

- 14** None.

Appendices

- 15** None.