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 Southover House, Southover Road, Lewes** on **Monday, 05 February 2018** 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.

26/01/2018 Catherine Knight
Assistant Director of Legal and Democratic Services

Agenda

1 **Minutes**
To confirm and sign the Minutes of the Meeting of the Council dated 3 January 2018 (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. A Supplementary Report will be circulated at the meeting to update the main Reports with any late information.

5 **Public Question Time**

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

6 Written Questions from Councillors

To deal with written questions which councillors may wish to put to the Chair of the Council, a Lead Councillor on the Cabinet or the Chair of any committee or sub-committee in accordance with Council Procedure Rule 12 (if any).

7 Matters Referred to the Cabinet

Matters referred to the Cabinet (whether by the Scrutiny Committee or by the Council) for reconsideration by the Cabinet in accordance with the provisions contained in the Scrutiny Procedure Rules or the Budget and Policy Framework Procedure Rules set out in Part 4 of the Council's Constitution.
None.

8 Reporting Back on Meetings of Outside Bodies

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

9 Reports from Officers

- Key Decisions

9.1 Housing Revenue Account Budget 2018-2019 (page 4)

Report of Director of Service Delivery
Lead Cabinet member: Councillor Maskell

9.2 General Fund Revenue Budget 2018-2019 (page 18)

Report of Deputy Chief Executive
Lead Cabinet member: Councillor Giles

9.3 Capital Programme 2017-2018 to 2020-2021 (page 38)

Report of Deputy Chief Executive
Lead Cabinet member: Councillor Giles

9.4 Annual Treasury Management Strategy Statement and Investment Strategy 2018-2019 to 2020-2021 (page 51)

Report of Deputy Chief Executive
Lead Cabinet member: Councillor Giles

9.5 Lewes District Community Safety Partnership Annual Report (page 86)

Report of Director of Regeneration and Planning
Lead Cabinet member: Councillor Nicholson

9.6 Equality Annual Report (page 104)

Report of Director of Regeneration and Planning
Lead Cabinet member: Councillor Merry

9.7 Voluntary Sector Support (page 122)
Report of Director of Regeneration and Planning
Lead Cabinet member: Councillor Nicholson

For further information about items appearing on this Agenda, please contact Simon Russell at Southover House, Southover Road, Lewes, East Sussex BN7 1AB. Telephone 01323 415021

Distribution:

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

Agenda Item No:	**9.1**		
Report Title:	**Housing Revenue Account Budget 2018/2019**		
Report To:	**Cabinet**	**Date:**	**5 February 2018**
Cabinet Member:	**Councillor Ron Maskell**		
Ward(s) Affected:	**All**		
Report By:	**Ian Fitzpatrick, Director of Service Delivery**		
Contact Officer(s):			
Name(s):	**Stephen Osborne**		
Post Title(s):	**Principal Accountant**		
E-mail(s):	**stephen.osborne@lewes-eastbourne.gov.uk**		
Tel No(s):	**01273 085286**		

Purpose of Report:

This report presents the Housing Revenue Account Budget 2018/2019.

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 2018/2019 *(Appendix 1 of this report).*
2. A reduction in dwelling rents of 1%, effective from 2 April 2018. *(Section 7 of this report).*
3. A reduction of 1% in Affordable Rents, effective from 2 April 2018 *(Section 8 of this report*).
4. An average garage rent increase of 4.1%, effective from 2 April 2018. *(Section 9 of this report)*. This is in line with the Business Plan and current Council policy on garage rentals.
5. An increase of 4.1% in Private Sector Leased Property rents, effective from 2 April 2018 *(Section 10 of this report*).
6. Implement revised Service Charges, effective from 2 April 2018 *(Sections 11 to 15 of this report*).
7. The 30-year Housing Business Plan is updated.

Reasons for Recommendations

1. To enable the Council to fulfill its legal obligations to produce a balanced Housing Revenue Account for 2018/2019.

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 Government has yet to clarify its intentions on two proposed measures:

- The levy on local housing authorities based on the sale potential of 'high value asset' (HVA) properties. Although power to introduce a HVA Levy to fund the extension of a Right to Buy to housing association tenants was introduced in the Housing and Planning Act 2016, the necessary Regulations have not yet been laid before Parliament. The previous Housing Minister Gavin Barwell announced in November 2016 that councils would not be expected to pay the HVA Levy until after April 2018 and it appears this will continue to be the case until at least April 2019. At the Autumn Budget the Chancellor announced that the Government would fund an extended pilot of the Right to Buy for housing association tenants in the West Midlands area, however it would appear the Government is not prepared to abandon the idea of a HVA Levy at some stage in the future.

- The lifting of HRA borrowing caps. As part of the Autumn budget, the Government announced a selected lifting of borrowing caps for councils in areas of high affordability pressure to enable them to build more homes. Councils will be invited to bid for increases in their caps from 2019/2020. It is unlikely that this Council will qualify for an increase in its borrowing cap.

2.3. The budgets have been prepared on the basis of the national Housing Revenue Account Accounting Code of Practice, with management, maintenance and debt financing costs offset by income from rents, service charges and other contributions.

3. The Budget 2018/19

3.1. The Housing Revenue Account Budget 2018/2019, set out at Appendix 1, reflects the organisational change taking place within the Council, the Government's policy on dwelling rents and the review of priorities for capital and maintenance works. The budget does not include a contribution to finance the capital programme, and shows a total estimated balance in hand at year end of £2,945,000.

3.2. A provision has been made for movements in the pay bill in line with the expected national settlement of 2%. Salary budgets also allow for contractual salary increments, employers pension contributions, and organisational change.

3.3. The budgeted employer's pension contribution rate for 2018/2019 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 2016.

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 3.14 have been provided in the budget.

3.5. The budget includes targets for savings to be generated by the Council's Joint Transformation Programme (JTP) with Eastbourne Borough Council. The savings will comprise reductions in the cost of employees, overheads, central support services and the allocation of corporate and democratic costs. At this stage the 2018/2019 expenditure budgets for these costs have been retained at the same amounts included in 2017/2018, with the savings targets incorporated as global amounts. Service Budgets will be reduced, and the savings target released, when the organisational changes have been embedded.

3.6. The new repairs contract, starting in February 2018, is expected to generate reductions of £140k. It is anticipated the closure of the Council's Housing Maintenance Unit will produce a further reduction of £55k.

3.7. The revenue cost of repairs to vacant properties will be reduced through capitalisation of component renewals for kitchens, bathrooms, electrical rewires, windows, doors and heating systems. The value of component renewals on void properties is expected to be £229k or 35% of the anticipated spend.

3.8. It is expected there will be a reduction of £31k in the cost of mechanical and electrical service contracts.

3.9. The total reduction of £455k (Items 3.5 to 3.8) has been included in the 2018/2019 revenue repairs budget.

3.10. Following the renewal and replacement of lifts and the new service contract, there is a reduction of £30k included in the 2018/2019 budget.

3.11. Following the completion of major upgrade projects, a reduction of £35k in fees for professional services has been included in the 2018/2019 budget.

3.12. The stock condition survey has been completed and the results have been used to inform the 2018/2019 budget. The results of the survey will be also used to update the 30-year Business Plan, which will also reflect the impact of the Government policy to reduce rents by 1% for a period of four years. This will allow expenditure on future major repairs and replacements to be synchronised with available resources.

3.13. The Council's new dwellings construction programme, on former garage sites, is complete with the units occupied. The budget provides for the phased rental stream.

3.14. Income in 2018/2019 is planned to exceed expenditure by £1,146,300, which will be used to repay internal borrowing, reducing the surplus for the year to zero. The major variations for 2018/2019 are summarised below in Table 1.

TABLE 1

Budget Variations	Budget 2018/2019 £'000
Original Budget Surplus 2017/18	**0**
Rental Income (New Dwellings)	39
Rental Income (1% Ren Reduction)	147
Rental Income (RTB Sales)	75
Rental Income (Other)	6
Rental Income (Garages)	(15)
Grounds Maintenance Contribution	(46)
Solar/Renewable Heat Tariffs	(10)
Service Charges	29
Leaseholder Charges	16
Premises and Property	(560)
Transportation	5
Supplies and Services	(7)
Support Services	(5)

Budget Variations	Budget 2018/2019 £'000
Rent & Council Tax/Rates	(4)
Provision for Bad Debts	(18)
Depreciation of Fixed Assets	312
Interest on Borrowing	11
Investment Income	(14)
Repayment of Internal Borrowing	339
Joint Transformation Programme	(300)
Net Variation	-
Projected Net Deficit/Surplus	-
Estimated Balance 1 April 2017	(2,945)
Estimated Balance 31 March 2018	(2,945)

Housing Revenue Account Debt

4. Housing Debt and Debt Ceiling

4.1. The Government continues to maintain control of borrowing for local authority housing.

4.2. The Council's Housing Revenue Account borrowing is capped at £75.248m. Actual borrowing at 1 April 2018 is projected to be £65.405m, leaving borrowing headroom of £9.843m, as shown in Table 2.

4.3. The HRA Capital Financing Requirement is met by a combination of loans, as summarised in Table 2.

4.4. 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 2

	Loans 1 April 2018 £	Interest Rate %	Interest Amount £
Public Works Loan Board	51,673,000	2.8974	1,497,171
Barclays Bank	5,000,000	4.5000	225,000
Internal Borrowing from General Fund	8,732,915	1.4000	143,542
Total Debt	**65,405,915**	**2.8091**	**1,865,713**
Debt Headroom	9,842,175		
Debt Allocation & Debt Cap	**75,248,090**		

MAJOR REPAIRS RESERVE AND WORKING BALANCE

5. The Major Repairs Reserve

5.1. 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. The depreciation charge is based on the expected life and cost of replacing all key components of a property e.g. kitchens, bathrooms, windows and roofs.

5.2. 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 to fund the acquisition of new assets.

5.3. The projected movements on the Major Repairs Reserve are shown in Table 3 below. The amounts shown for 2017/2018 differ from the original budget having been updated to take into account the revised Capital Programme and depreciation calculated on the actual value of housing stock components at 1 April 2017.

TABLE 3

	2016/17	2017/18	2018/19	2019/20	2020/21
	£	£	£	£	£
Balance 1 April	2,157,721	4,933,646	3,586,416	3,777,976	4,282,976
Depreciation	5,159,712	5,424,000	5,485,000	5,485,000	5,485,000
Capital Programme	(2,383,787)	(6,771,230)`	(5,293,440)	(4,980,000)	(4,980,000)
Balance 31 March	**4,933,646**	**3,586,416**	**3,777,976**	**4,282,976**	**4,787,976**

5.4. 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.

6. Working Balance

6.1. The HRA Business Plan has a planned General Working Balance of £1.5 million. This position allows for a buffer against unforeseen events with an impact on expenditure or income in the year.

6.2. In addition to the General element of the Working Balance, amounts are held to fund potential costs in future years. Table 4 draws together all the earmarked components of the HRA working balance and shows the projected Working Balance at 31 March 2018.

6.3. The Special Projects element of the working balance is available to fund the HRA share of investment and one-off costs associated with the Joint Transformation Programme.

TABLE 4

Working Balance Allocation	**Actual 2016/17 £**	**Original 2017/18 £**	**Projected 2017/18 £**	**Budget 2018/19 £**
General Working Balance	1,584,747	1,500,000	1,500,000	1,500,000
Special Projects	1,012,000	1,061,200	1,170,000	1,170,000
Self-Insurance	275,000	275,000	275,000	275,000
Total Working Balance	**2,871,747**	**2,836,200**	**2,945,000**	**2,945,000**

THE RENT DECISIONS

7. Social Rents

7.1. The Welfare Reform and Work Act 2016 required local authority and housing association rents to be reduced by 1% per year for 4 years, starting in April 2016.

7.2. The budget has been prepared on the basis of an overall 1% reduction in dwelling rents from 2 April 2018.

7.3. Projected Rents (Based on December 2017 Data) are shown in Tables 5 & 6.

7.4. All new tenancies are let at the calculated target rent for the property.

TABLE 5

	Dwelling Type	Average Weekly Rent 2017/18 £	Average Weekly Rent 2018/19 £
	Bedsits	60.43	59.88
1	Bedroom Flat	72.32	71.47
2	Bedroom Flat	81.58	80.77
3	Bedroom Flat	86.90	85.79
4	Bedroom Flat	97.52	96.66
1	Bedroom House	81.46	80.85
2	Bedroom House	94.46	93.85
3	Bedroom House	105.18	104.32
4	Bedroom House	113.21	112.52
5	Bedroom House	116.94	115.77
6	Bedroom House	132.39	131.07

TABLE 6

Dwelling Type	Average Weekly Rent 2017/18 £	Average Weekly Rent 2018/19 £
All Bedsits	60.43	59.88
All Flats	75.26	75.98
All Houses	98.95	98.18
All Dwellings	**88.52**	**87.75**

8. Affordable Rents

8.1. The Council has twenty four properties let at Affordable Rent. The average rent for these properties is shown in Table 7. The properties have been bought or constructed since 2013. The higher rent levels than standard ensure that they are self-financing. The rents are subject to the Government’s 1% reduction policy referred to in paragraph 7.1.

TABLE 7

	Dwelling Type	2018/19 £
1	Bedroom Flat	115.88
2	Bedroom Flat	146.00
2	Bedroom House	145.50

9. Garage Rents

9.1. Garage Rents are not within the scope of Government control. It is left to each Council to formulate their policy on garage rents.

9.2. A market review of garage rents is undertaken every five years and in November 2015, District Valuer Services undertook a review of market rents. The new rents were implemented from April 2016. Following a market review, garage rentals are uprated each subsequent year by September RPI (4.1%).

9.3. Table 8 sets out the weekly garage rentals.

TABLE 8

	Rents 2017/18	Rents 2018/19	Rent Increase	
	£	£	£	%
Lowest	11.89	12.37	0.48	4.1
Average	16.91	17.60	0.69	4.1
Highest	17.63	18.35	0.72	4.1

10. Private Sector Leased Property Rentals

10.1. The Council’s private sector leasing (PSL) scheme falls outside the scope of Government control 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 twenty four properties within the scheme.

10.2. The annual rent increase, if any, to owners is dealt with in the head lease.

10.3. The Council’s policy is to increase PSL rents each April by the September RPI inflation factor, 4.1% for 2018/2019 (2.2% 2017/2018).

The Service Charges Decisions

11. The Communal Service Charge

11.1. The Communal Service Charge was recently reviewed with the aim of aligning the charges for tenants with those of leaseholders; reflecting the organisational change within the Council and the new contracts for grounds maintenance and communal cleaning.

11.2. The charge recovers the cost of communal services provided to non-sheltered flats. The services provided include grounds maintenance, maintenance of lifts, caretaking and cleaning, door entry & alarm systems, TV aerials, laundry services and communal lighting.

11.3. The revised charges were implemented from April 2016, with all reductions implemented and increases capped at £3 per week. This approach has been adopted for the 2018/2019 charges.

11.4. The communal element of the service charge is eligible for housing benefit and Universal Credit.

11.5. The average service charge is £5.28, with the lowest at £0.16 and the highest at £18.45. The position before the £3 cap is applied is shown in Table 9.

TABLE 9

	Properties	Minimum £	Average £	Maximum £
Reductions	409	0.01	1.13	8.98
Increases up to £3	646	0.01	0.85	3.00
Increases over £3	51	3.08	3.89	8.49
Total	**1,106**			

12. The Homeless Accommodation Service Charge

12.1. The service charge relates to the services provided at homelessness properties held within the Housing Revenue Account.

12.2. The Homeless Accommodation Service Charge for 2018/2019 has been reviewed, in accordance with agreed Council practice, to reflect the proposed budget. The communal element of the service charge is eligible for housing benefit and Universal Credit.

13. The Supported Housing Service Charge

13.1. The review of the sheltered housing service and the continuing organisational change within the Council is reflected in the service charge.

13.2. The service charge has been updated to reflect the 2018/2019 budget to achieve full cost recovery.

13.3. The communal element of the service charge is eligible for housing benefit.

14. The Support Scheme Charge

14.1. Following the withdrawal of East Sussex County Council from the Supporting People scheme, the Council introduced, from May 2016, a redesigned Support Scheme for tenants in sheltered accommodation.

14.2. The charge for 2017/2018 was £3.09 per week. The charge has now been reviewed to reflect experience of the redesigned scheme. The charge achieves full cost recovery and will reduce to £2.89 per week in 2018/2019.

15. Other Service Charges

15.1. All other service charges have been updated to reflect the 2018/2019 budget and achieve full cost recovery. This includes charges for digital television reception, residual lifeline services and domestic cookers provided at certain properties.

The Capital Programme

16. 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 4.2 – Table 2).

- *The Major Repairs Reserv*e (paragraph 5.3 – Table 3).

- *Capital Receipts.* As an indication, in the first six months of 2017/2018, the proceeds from the sale of eight dwellings amounted to £940,750, which have been allocated, in accordance with statutory requirements, for four purposes.

  (i) To finance Non-HRA capital expenditure (£124,190);
  (ii) To repay HRA borrowing, in accordance with the self-financing settlement (£120,235);
  (iii) To pay the Government its prescribed share, (£303,244);
  (iv) To fund new affordable housing, in accordance with the Government '1-4-1 retained receipts' scheme introduced in April 2012 (£393,081).

17. Retained receipts from Council House Right to Buy Sales must be spent on new affordable housing, but can only be used to fund a maximum of 30% of the cost of the new homes within a rolling 3-year period. Any unused receipts must be returned to the Government with interest. The retention scheme was implemented on 1 April 2012 and since that date receipts with a total value of £3.449m have been initially retained requiring spending of £11.496m on new affordable homes. Of this amount, £5.712m has been spent and a further £0.325m committed to the construction contract for 30 new dwellings on former garage sites, and £1.200m on the Ashington Gardens project.

18. The accumulative amount of capital receipts retained since April 2012 to repay HRA borrowing is £1.463m. No repayments have been made to date and there is no requirement to do so. The receipts can be used to finance capital expenditure and will be available towards the high value homes levy when it is introduced.

19. Capital Requirements for the next three years are shown in Table 11, which is based on the results of the recent stock condition survey.

19.1. Table 10 shows the approved 2017/2018 Capital Programme relating to those services covered by the Housing Revenue Account. The proposed programme variations are shown column (e).

TABLE 10

(a) Line No	(b) HRA Investment Capital Programme	(c) Approved Programme 2017/18	(d) Approved Programme Variations	(e) Proposed Programme Variations	(f) Revised Programme 2017/18
		£	£	£	£
1	New Dwellings	958,800	901,200	-	1,860,000
2	Saxonbury Redevelopment	-	1,500,000	-	1,500,000
3	Improvements to Existing Stock	6,364,920	(352,930)	(1,643,710)	4,368,280
4	*Other Works*				
5	Adaptations for Disabled Tenants	415,000	(15,000)	15,000	415,000
6	Community TV Aerials	69,560	-	-	69,560
7	Recreation & Play Areas	62,960	-	-	62,960
8	Rooms in Roof Conversions	366,940	-	-	366,940
9	Sheltered Common Room Conversions	50,000	-	-	50,000
10	Lift Replacements	120,000	685,630	(32,540)	773,090
11	Sheltered Schemes Communal Heating	768,130	(317,700)	-	450,430
12	Door Entry Systems	14,970	-	-	14,970
13	Roads, Paths & Engineering	200,000	-	-	200,000
14	Environmental Improvements	50,000	-	-	50,000
15		**9,441,280**	**2,401,200**	**(1,661,250)**	**10,181,230**
16	*Funded by:*				
17	Borrowing	679,280	1,920,720	-	2,600,000
18	Capital Receipts	682,450	(72,450)	-	610,000
19	Major Repairs Reserve	8,079,550	352,930	(1,661,250)	6,771,230
20	Revenue Contributions	-	200,000	-	200,000
		9,441,280	**2,401,200**	**(1,661,250)**	**10,181,230**

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

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.

The proposed programme for the three-year period 2018/2019 to 2020/2021 is shown in Table 11 below. It assumes the Council undertakes prudential borrowing of £0.600m and utilises £15.253m from the Major Repairs Reserve.

The proposed programme includes £0.600m for the potential buy-back of dwellings; £13.052m for improvements to existing stock; and £2.201m in respect of other works outside of the stock condition survey.

19.3 In January 2018, Cabinet agreed to progress a programme for a second phase of new housing developments on garage sites and other HRA sites. A further report will be made to Cabinet for approval to proceed with the finalised programme, and an allocation of resources in the capital programme will be made at that time.

TABLE 11

(a) Ref	(b) HRA Investment Capital Programme	(c) 2018/19 £	(d) 2019/20 £	(e) 2020/21 £
1	New Dwellings	200,000	200,000	200,000
2	Improvements to Existing Stock	4,351,530	4,350,000	4,350,000
3	*Other Works not included in Survey*			
4	Adaptations for Disabled Tenants	415,000	415,000	415,000
5	Lift Replacements	311,910	-	-
6	Recreation & Play Areas	50,000	50,000	50,000
7	Rooms in Roof Conversions	165,000	165,000	165,000
8	**Total**	**5,493,440**	**5,180,000**	**5,180,000**
9	*Funded by:*			
10	Borrowing	200,000	200,000	200,000
11	Major Repairs Reserve	5,293,440	4,980,000	4,980,000
12	**Total**	**5,493,440**	**5,180,000**	**5,180,000,**

20. Tenant Consultation

20.1. An integral part of the Budget process is a constructive dialogue with The Tenants of Lewes District Group (TOLD). Officers will meet with TOLD to review the Revenue Budget and Capital Programme.

Financial Implications

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

Risk Management Implications

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

Equality Screening

23. There are no direct equality implications arising from this report which proposes no changes to current policies or service plans. The recommended 1% reduction in rents will have a positive impact on all tenants. Changes to service charges are consistent with the principle of full recovery of the cost of service delivery– changes to service provision are subject to specific Equality Impact Assessments as they arise.

Legal Implications

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

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

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

27. The Welfare Reform and Work Act 2016 set the rent setting policy whereby social rents in England are to be reduced by 1% each year for four years starting in 2016/2017.

Background Papers

None

Appendices:

Appendix 1 – Housing Revenue Account Budget 2018/2019

HOUSING REVENUE ACCOUNT - BUDGET SUMMARY	2017/18 BUDGET £'000	2018/19 BUDGET £'000
Income		
Dwelling Rents	(14,766)	(14,520)
Non-Dwelling Rents	(458)	(452)
Charges for Services and Facilities	(1,231)	(1,237)
Contributions towards Expenditure	(200)	(204)
Total Income	(16,655)	(16,413)
Expenditure		
Repairs and Maintenance	4,892	4,400
Supervision and Management	1,708	1,702
Special Services	1,382	1,313
Rents, Rates, Taxes and Other Charges	177	173
Increase in Impairment of Debtors	68	50
Depreciation of Fixed Assets		
- Dwellings	4,530	4,794
- Other Assets	637	685
Amortisation of Intangible Assets	6	6
Debt Management Costs	47	47
JTP Savings		(300)
Total Expenditure	13,447	12,870
Net Cost of HRA Services	**(3,208)**	**(3,543)**
HRA share of Corporate and Democratic Core	576	576
Net Operating Cost of HRA Services	**(2,632)**	**(2,967)**
Capital Financing and Interest Charges		
Interest Payable	1,855	1,866
Interest Receivable	(27)	(45)
Amortised Premiums and (Discounts)	(3)	-
Reversal of Depreciation and Amortisation	(5,173)	(5,485)
Transfer to Major Repairs Reserve	5,173	5,485
Capital Expenditure Funded from Revenue	-	-
Repayment of Internal Borrowing	807	1,146
Total Capital Financing and Interest Charges	2,632	2,967
(Surplus) or Deficit for the year	**-**	-
Working Balance at 1 April	(2,632)	(2,945)
(Surplus) or Deficit for the year	-	-
Working Balance at 31 March	**(2,632)**	**(2,945)**
Allocation of Working Balance:		
- General Working Balance	(1,500)	(1,500)
- Special Projects	(1,061)	(1,170)
- Self Insurance	(275)	(275)
Working Balance at 31 March	**(2,836)**	**(2,945)**

Agenda Item No:	**9.2**		
Report Title:	**General Fund Revenue Budget 2018/2019**		
Report To:	**Cabinet**	**Date**	**5 February 2018**
Cabinet Member:	**Councillor Bill Giles**		
Ward(s) Affected:	**All**		
Report By:	**Alan Osborne, Deputy Chief Executive**		

Contact Officer(s)-
Name(s): **Alan Osborne**
Post Title(s): **Deputy Chief Executive**
E-mail(s): **alan.osborne@lewes-eastbourne.gov.uk**
Tel No(s): **01273 471600**

Purpose of Report:

To present the 2018/2019 General Fund Revenue Budget to be recommended to Full Council.

Officers Recommendation(s):

That Cabinet:

1 Reviews the contributions to reserves and use of reserves as set out in Appendix C.

2 Considers any recommendations of the Scrutiny Committee.

3 Notes the Council Tax and Business Rates Collection Fund balances to be returned in 2018/2019.

4 Considers the statutory report of the Designated Chief Finance Officer as required by section 25(1) of the Local Government Act 2003, set out in section 13.

5 Notes completion of the statutory Non Domestic Rates Return (NNDR1) and consequent retained rating income for 2018/2019, as explained in paragraph 5.2(e).

That Cabinet recommends to Council:

6 An aggregate Council Tax requirement of £7,438,000 (a Band D Council Tax increase of £5.79, 2.97% for the aggregate Lewes District Council “Council Tax Requirement) comprising

a. A General Expenses Council Tax requirement of £6,793,160

b. A Special Expenses Council Tax Requirement of £644,840.

7 That following publication of the Final 2018/2019 Local Government Finance Settlement the Deputy Chief Executive be authorised to make the necessary adjustments to maintain the general expenses council tax requirement at the above level and to report any adjustments to the next Cabinet meeting.

Reasons for Recommendations

1 Cabinet is required to approve the budget in accordance with the Council's Constitution. This budget report sets out the level of General Fund revenue resources needed to support the Council's priorities and services.

2 The Council has a statutory duty to determine its Council Tax Requirement and level of Council Tax for the coming year. Cabinet makes a recommendation to Council on this matter having taken account of the Deputy Chief Executive's statutory report on the adequacy of reserves and balances.

1 National Context 2018/2019

1.1 On 19 December 2017, the Secretary of State for Communities and Local Government gave his statement on the local government finance settlement for 2018/2019, subject to consultation with local authorities and representatives bodies. The consultation closed on 16 January 2018. Details of the final settlement have not been released at the time of writing this report.

1.2 97% of local authorities, including this Council, have signed up to the Government's offer of a multi-year settlement, 2018/2019 being the third year of its 4 year term. Participating authorities have a high level of certainty about the financial resources which will be made available to them from the Government through to 2019/2020.

1.3 The provisional finance settlement continues the methodology of distributing New Homes Bonus to local authorities first introduced in 2017/2018, which comprises a general reward allocation based on the year on year increase in local housing stock above a specified threshold, 0.4%. As previously indicated, the number of years for which payments are made reduced from 5 years in 2017/2018 to 4 years from 2018/2019. The Government will retain the option of making adjustments to the baseline in future years in the event of a significant increase in housing growth.

1.4 The last business rates revaluation took effect from 1 April 2017. Revaluation is a revenue neutral exercise so the total rates bill stayed the same at the England level in real terms, after allowing for appeals. At the local authority level, overall bills increased or fell depending upon whether rateable values in that area performed above or below the average for England, after allowing for appeals.

1.5 This would have resulted in a change in the business rates income available to authorities under the business rates retention scheme, for reasons outside their control. Under the 50% business rates retention scheme, the Government adjusts each authority's tariff or top up following a revaluation to ensure, as far as is practicable, that its retained income was the same after revaluation as immediately before; thereby ensuring that the growth incentive created by the rates retention scheme and the delivery of public services will not be threatened by losses of income outside the control of authorities. Following consultation with local authorities, the methodology used to make this adjustment in 2017/2018 has been reviewed by the Government and further changes will be made as part of the 2018/2019 settlement.

1.6 As previously notified, the Government has confirmed its intention to limit the distribution of Transition Grant to local authorities to the two years 2016/2017 and 2017/2018 only. This Council had received £84,000 as Transition Grant in 2017/2018.

1.7 The National Employers, who negotiate pay on behalf of 350 local authorities in England, Wales and Northern Ireland, have offered a two-year pay increase which, if accepted, would give a 2% uplift in salaries on 1 April 2018 and a further 2% on 1 April 2019. The finance settlement assumes an increase of 1%.

1.8 In overall terms, the provisional local government finance settlement indicates a 1.5% reduction in local authorities' Core Spending Power (comprising Revenue Support Grant and other core grants, retained business rates at baseline levels and council tax).

2 The future of the local government finance system

2.1 Over the last year, the Government has been working closely with the local government sector to identify central government grants that can be funded through retained business rates in the future, and on reforming the local government finance system where needed.

2.2 As previously announced, it is the Government's intention to implement an increase in business rates retention in 2020/2021, replacing resources which are currently distributed by grants including Revenue Support Grant. Allowing local authorities to keep business rates to the value of these grants would represent business rates retention across the local government system of at least 75%. The Government also intends to use the intervening period to develop a set of measures that support a smooth transition of funding for public health services from a grant to retained business rates.

2.3 The Government will also continue to work with the sector to improve the way the local government finance system works, such as tackling the impact of business rates appeals on local authorities. The Government intends to develop a series of reforms with the view of implementing these in 2020/2021 alongside greater business rates retention.

2.4 Alongside these reforms, the Government continues to make progress on a fair funding review of relative needs and resources, in collaboration with the Local Government Association and representatives from across local government. This review will calculate new baseline funding levels based on an up-to-date assessment of the relative needs and resources of local authorities. Business rates will be redistributed according to the outcome of the new assessment, alongside the resetting of business rates baselines, subject to suitable transitional measures. The Government has published a consultation setting out its approach to the fair funding review

3 Council Tax Referenda

3.1 The Localism Act 2011 contains 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 In recognition of higher than expected inflation and the pressures on services such as social care and policing, the Government has decided to make changes to the council tax referendum principles. In the case of district councils, increases of less than 3% or up to and including £5 (whichever is higher) above the authority's relevant basic amount of council tax for 2017/2018 can be made without triggering a referendum. This same principle will apply for increases in 2019/2020. In recent years the threshold has been for increases of less than 2% or up to and including £5 (whichever is higher) This threshold is applied to changes in the aggregate of an authority's "General" and "Special" Expenses.

4 Lewes District Council council tax requirement for 2018/2019

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

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

4.2 The aggregate Band D requirement comprises two elements:

- Special Expenses in respect of the cost of managing and maintaining parks and open spaces. The cost of each site is charged to the council taxpayers of that part of the district area in which it is located.
- General Expenses, all other costs

4.3 The Council has made a commitment to passing on changes in the cost of the upkeep of open spaces, reflecting the devolution of these assets to town and parish councils. Special Expenses amounts are shown in the table below:

Town/Parish area	Special Expense 2017/2018 £	Band D 2017/2018 £	Special Expense 2018/2019 £	Band D 2018/2019 £
Lewes	345,430	56.40	338,830	55.03

Newhaven	98,890	27.32	155,150	43.47
Telscombe	51,890	20.83	53,230	20.55
Seaford	54,060	5.70	54,590	5.62
Peacehaven	37,510	8.00	37,810	7.83
Chailey	1,050	0.81	1,060	0.81
Ringmer	4,110	2.19	4,170	2.18
Total	592,940	16.31	644,840	17.41

The total amount charged as Special Expenses for Newhaven increases in 2018/2019 because the devolution of a number of open spaces to the Town Council (and with it the transfer of responsibility for their management and maintenance) has not yet been completed as had anticipated when the 2017/2018 budget was set. Work to achieve the devolution of these sites will continue, and an appropriate amount of funding raised by this Council through the 2018/2019 Special Expenses charge will be passed to the Town Council when the ownership of sites transfers.

4.4 Applying a 2.6% increase to the General Expenses element of the Council Tax gives a Band D tax amount of £183.43 as shown in the table below.

Band D	2017/2018 £	2018/2019 £	Change £	Change %
Special Expenses	16.31	17.41	1.10	6.7
General Expenses	178.74	183.43	4.69	2.6
Total	195.05	200.84	5.79	2.97

The increase in the total council tax requirement, £5.79 is within the ‘less than 3%’ referendum limit.

5 The 2018/2019 General Fund Budget

5.1 The table below indicates the change in resources made available to the Council from the Government.

	2017/18 £m	2018/19 £m	2019/20 £m
Lewes District Council			
Settlement Funding Assessment	**2.469**	**2.160**	**1.791**
Revenue Support Grant	0.375	0.002	0.000
Baseline Funding Level	2.094	2.158	2.205
Tariff / Top Up Adjustment [a]	0.000	0.000	-0.414
Change in SFA:			
Annual change		-12.5%	-17.1%
Cumulative change		-12.5%	-27.5%
All District Councils			
Annual change in SFA		-7.9%	-14.9%
Cumulative change in SFA		-7.9%	-21.7%

5.2 The General Fund Budget Summary for next year is shown at Appendix A together with the movement between 2017/2018 and 2018/2019. A statement showing the major variations arising from the Council's efficiency programme, inflation, variations in income and changes in demand for services is given at Appendix B.

(a) A balanced budget for next year requires a total savings target of £1,034,000 (of which £334,000 is incorporated within the service budgets shown in the Summary). £800,000 of the savings target (of which £100,000 is projected to be allocated to the Housing Revenue Account budget) is to be met from Phases 2 and 3 of the Joint Transformation Programme (JTP). At the time of writing this report, appointments under JTP Phase 2 have been concluded and mobilisation of staff into new roles is taking place. Service Budgets will be reduced, and the savings target released, when the organisational changes have been embedded.

(b) There is no withdrawal from the General Fund reserve to meet non-recurring expenditure.

(c) A budget of £109,000 is available in 2018/2019 to support the implementation of service priorities, unchanged from 2017/2018.

(d) A summary of contributions to and from reserves is shown in Appendix C. Reserves can be used to finance revenue or capital expenditure and the summary shows the aggregate planned use in 2017/2018 and 2018/2019. Service budgets for 2018/2019 incorporate one-off initiatives with a total budgeted cost of £211,000 to be funded from reserves. These initiatives include an economic assessment of the A259 and its constraints on the wide economy (£50,000), voluntary sector grant support for a scheme to mitigate the impact of the rollout of Universal Credit (£30,000), the Local Plan examination and associated work (£45,000) and a county-wide project to maintain and maximise the Business Rates base (£30,000).

(e) The amount shown for Business Rates retained by the Council is indicative, pending the detailed calculation at the level of individual premises of the impact of the annual increase in the RV multiplier, transitional relief phasing and changes to specific rate reliefs. The final estimate of retained business rates income, derived from the detailed business rates estimates (to be reported to Government through the annual NNDR1 return) should be available when Cabinet meets: it is expected to offset the change between projection and final estimate by a contribution to/use of the Strategic Change Reserve

(f) The East Sussex district and borough councils, East Sussex County Council and Sussex Police Authority will restart the local pooling arrangement which was in place in 2016/2017. This means that rather than each district and borough council paying any levy (arising from business rates income exceeding the Government baseline amount) into a national pool, the levies will be retained within East Sussex and redistributed to the councils in proportion to local growth. At this stage, the 2018/2019 budget does not include an income budget for an amount to be redistributed to this Council from the local Pool.

(g) Details of Government grants are shown in the sources of finance section of the General Fund Budget Summary. Key movements are the reduction in Revenue Support Grant (£373,000) and New Homes Bonus (£598,000). As in previous years, New Homes Bonus grant received is paid into the Strategic Change Reserve pending allocation to one-off initiatives.

5.3 Pay and Price Assumptions

The 2018/2019 draft budget has been prepared in accordance with the following framework:

Base budget:

(i) No new items to be added to the budget except where approved by Cabinet in the year to date.

(ii) Savings reported to and agreed by Cabinet to date are incorporated within draft budgets.

Employee budgets:

(iii) With the exception of those employed in Legal Services, all staff are employees of Eastbourne Borough Council (EBC) with this Council being recharged an appropriate share of all employment costs including employer's national insurance and pension contributions.

(iv) An average provision of £165,000 has been made for movements in the pay bill in line with the Local Government Employers' pay offer of a 2% increase for 2018/2019.

(v) The budgeted employer's pension contribution rate for 2018/2019 is the same as that proposed by the actuary for EBC following the three yearly review of the East Sussex Pension Fund finalised in December 2016. This rate has been calculated in order to fund the cost of new benefits accruing in the Fund. In addition, a fixed monetary contribution is made direct to the Pension Fund to target a fully funded position for Lewes District Council. This secondary contribution is £495,000 in 2018/2019 (£442,000 in 2017/2018).

Inflation:

(vi) No allowance for general price increases other than where these are unavoidable eg business rates

(vii) Agreed cost indices in tendered contracts.

(viii) Should average price inflation (excludes pay) exceed assumptions in the budget outlook by 1%, this would add around £100,000 to the budget savings target.

(ix) Income from general fees and charges is largely related to usage and activity levels. A separate report is agreed annually to agree increases in volume and price to be reflected in the budget. The Medium Term Finance Strategy assumes that overall income will rise by CPI.

6 Medium Term Budget Outlook and Savings Plan

6.1 The Medium Term Budget Outlook for the four years to 2021/2022 is shown at Appendix D. It builds upon the budget for 2018/2019 and uses assumptions for future years. No significant changes in assumptions have been made from 2017/2018.

6.2 As noted in paragraph 3.2, The Government has signalled that Council tax amounts for 2018/2019 and 2019/2020 can increase by the greater of £5 or up to 3%. The Budget Outlook assumes increases of 2.6% in both years, reducing to the previous referendum limit of 1.9% in each of the following years.

6.3 Retained business rates income is projected as reducing in 2019/2020 to reflect possible temporary changes in the business rates base while redevelopment projects in Lewes, Seaford and Newhaven take place. At this stage it is not possible to project how the value of locally retained business rates might vary as a result of expected changes in the local government finance system outlined in section 2 of this report.

6.4 In line with current objectives, the Budget Outlook delivers a sustainable recurring base budget up to 2021/2022, with no call on reserves for recurring expenditure. The savings target over the 4 years to 2021/2022 amounts to £1.833m which is an excess of £69,000 over the forecast requirement identified in the Budget Outlook.

6.5 Appendix E shows the savings plan through to 2022. The target for the current year is set to be achieved. The savings for 2018/2019 will mainly derive from the Joint Transformation Programme and growth in commercial income streams.

6.6 In the event that savings fail to materialise it would be necessary to utilise the New Homes Bonus spending power and even then a substantial budget gap would remain. The Council's reserves and balances would be under great pressure and the shape of the Council's service provision would be biased more towards statutory services.

6.7 A number of underlying risks need to be monitored:

(a) Retained business rates:

- there is likely to be a loss of retained rate income associated with regeneration projects in Lewes and Newhaven as well as changes within the wider economy. This will be partly balanced in the medium term by newly created non domestic premises within the Newhaven Enterprise Zone and additional New Homes Bonus where non domestic premises are replaced with domestic dwellings.

- the outcome of appeals against business rate valuations remains a key risk, with the added complexity of the 2017 Revaluation. Successful appeals can be backdated to 2010 and decisions of Valuation Tribunals elsewhere in England can trigger fresh appeals from certain categories of business. There are currently 130 outstanding appeals against the LDC 2010 rating list. The Valuation Office Agency (VOA) advise that cases may take fifteen months to reach the final 'challenge' stage of the three stage appeals process that has been introduced in respect of the 2017 rating list. Very limited data has been given to local authorities by the VOA concerning businesses which have started on the process to appeal against their 2017 valuations.

(b) General income levels - income from fees and charges is dependant on demand, and the impact on the wider economy resulting from the UK's withdrawal from the European Union is uncertain.

(c) Provision for repayment of debt – the former DCLG has recently consulted on changes to the prudential framework of capital finance, including statutory guidance in respect of the calculation by councils of amounts that they should provide for the repayment of debt, particularly in respect of capital expenditure incurred on acquiring commercial properties or lending to companies. The outcome is not known at the time of writing this report. If implemented, the proposals could increase annual cost to the General Fund of providing for debt repayment by in excess of £0.1m and may reduce the returns which can be generated from future commercial developments.

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

7 The Council's Capital Programme

7.1 Local authorities are required to have regard to The Prudential Code published by the Chartered Institute of Public Finance and Accountancy when setting their plans for capital expenditure. In accordance with the Prudential Code, local authorities establish their capital expenditure programme for at least three years ahead, and must ensure that the revenue impacts of the capital programme (eg interest charges and principal repayments associated with new borrowing) are affordable.

7.2 Revenue contributions to finance the capital programme 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.

7.3 The revenue impacts of the outline Capital Programme for the period 2018/2019 to 2020/2021 which is the subject of a separate report on this Agenda have been taken into account within the General Fund and Housing Revenue Account draft budgets and are considered to be affordable. As noted in paragraph 6.7(c) above, the Government has recently consulted on making changes to the statutory guidance in respect of debt repayments.

8 Conclusions

8.1 It is essential that Cabinet continues to control carefully the recurring base budget.

8.2 The General Fund Reserve can be used as a short term measure to manage the pressures arising from lower income, rises in demand for statutory services and the lead in time needed to deliver savings.

8.3 The Council's earmarked reserves could be reassigned to balance a future budget in exceptional circumstances, but again this is not a sustainable solution.

8.4 Current and medium term pressures require the recurring base budget to be significantly reduced. Unless there is a compelling business case that helps achieve the base budget restructuring any calls for additional recurring resources need to be considered only when the desired savings targets are delivered.

8.5 There is capacity within the budget to meet time limited initiatives of a non-recurring nature, either from specific earmarked reserves, the General Fund Reserve, or the service priorities budget which is in effect a contingency that can be deployed once the overall year end position can be reliably predicted.

8.6 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.

9 Reserves

9.1 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.

9.2 The Chartered Institute of Public Finance and Accountancy has published guidance (most recently updated in July 2014) in relation to reserves and balances. The guidance has been taken into account in this report.

9.3 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.

9.4 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.

9.5 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.

9.6 A statement of the Council's Main Reserves projected through to 31 March 2019 is shown at Appendix C.

9.7 The Strategic Change Reserve holds New Homes Bonus received pending its use on approved projects. The most significant projects to be financed from the Reserve are the Joint Transformation Programme with Eastbourne Borough Council (£1.5m allocated), and supporting changes to the Waste and Recycling service (£0.7m allocated).

9.8 The Asset Maintenance Reserve provides resources for major works to General Fund assets including corporate buildings, parks, and the indoor leisure facilities for which the Council has landlord repairing responsibilities.

9.9 The Vehicle and Equipment Replacement Reserve provides funding for the cyclical replacement of the vehicle fleet. £1.1m is committed to finance the up-front costs of restructuring the Waste and Recycling Service, and £0.4m committed for other fleet replacements in 2017/2018 and 2018/2019. This Reserve also provides funding for the replacement of IT equipment and is projected to hold £0.15m for that purpose at 31 March 2018.

9.10 The General Fund Reserve holds funds pending allocation to specific projects. It also retains a balance as a buffer against unforeseen expenditure or reductions in income as explained in section 11 below.

10 Collection Fund Balance

10.1 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 2018 including a review of the provision for doubtful debts.

10.2 There is an estimated credit balance of £0.839m on the Council Tax Collection Fund which can be utilised in the 2018/2019 budget. The surplus will be redistributed as income to preceptors as follows:

Council Tax Collection Fund	£
East Sussex County Council	599,000
Lewes District Council	130,000
Sussex Police and Crime Commissioner	70,000
East Sussex Fire and Rescue	40,000
Total	**839,000**

10.3 A debit balance of £0.780m is estimated on the Business Rates Collection Fund at 31 March 2018 as a result of the provision needed in respect of business rates valuation appeals. The balance will be charged against the 2018/2019 budget, shared as follows:

Business Rates Collection Fund	£
East Sussex County Council	70,200
Lewes District Council	312,000
Central Government	390,000
East Sussex Fire and Rescue	7,800
Total	**780,000**

11 Unallocated General Fund Reserve

11.1 The Council uses a risk-based approach to setting the level of General Fund Reserve Minimum.

11.2 As a guideline the Council should keep a minimum level unallocated General Fund Reserve of £1m.

11.3 This can be further analysed as:

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

The projected General Fund Reserve at 31 March 2018 is £2.1m and there is no budgeted use in 2018/2019.

12 Setting the Council Tax including the other preceptors

12.1 The calculation of the overall tax requirement will be presented to Council on 19 February 2018, 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.

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

13 Report of the Chief Finance Officer (Deputy Chief Executive)

13.1 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).

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

13.3 Prudent use of reserves is an appropriate measure to finance one off budgets.

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

13.5 The earmarked reserves are not used to fund the recurring base budget or to fund initiatives that will add to the recurring base budget.

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

13.7 Should the budget adopted by the Council be materially unaltered then in the opinion of Chief Finance Officer, the estimates used to calculate the budget are robust and the levels of reserves are adequate.

14 Legal Implications

14.1 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.

14.2 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.

14.3 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.

15 Risk Management

15.1 A risk assessment in accordance with the Council's Risk Management methodology has been completed and the following significant risks and mitigating factors have been identified.

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

(b) The Council has adequate Reserves and Balances established as a mechanism to support the Council through its deficit reduction programme and preparing for the future.

(c) Reductions in income – Reserves provide a buffer to absorb falls in income and property related transactions in the short to medium term.

(d) As inflation begins to take effect there is the 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 2022 and takes into account local circumstances.

(e) Demand for the Council's services and its income streams are affected by the general economic health of the District. Economists are divided on the level of impact that the UK's exit from the European Union may have on the economy and the regulatory environment in which businesses operate.

16 Equality Screening

16.1 The equality implications of individual decisions relating to the projects/services covered in this report are addressed within other relevant Council reports. The recommendations in this report do not have any disproportionate impact on any specific group. The approved Council Tax Reduction Scheme offers targeted support to low income households.

17 Background Papers

17.1 Information on the Provisional Local Government Finance Settlement for 2018/2019 is available from this website: https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2018-to-2019

18 Appendices

Appendix A – The 2018/2019 General Fund Budget Summary.

Appendix B – General Fund budget movements from 2017/18 to 2018/19

Appendix C – Summary of Contributions to and use of Reserves

Appendix D – Medium Term Budget Outlook 2018/2019 to 2021/2022

Appendix E – 4-year Savings Plan

Line No.	GENERAL FUND REVENUE BUDGET SUMMARY BY MANAGEMENT ANALYSIS	2017/18 BUDGET £	2018/19 BUDGET £
	Director of Regeneration and Planning		
1	Assets and Property	(964,000)	(1,370,000)
2	Planning	(741,500)	(744,000)
3	Regeneration	152,800	134,000
4	Salaries and administration	1,897,300	1,783,000
5		**344,600**	**(197,000)**
	Director of Service Delivery		
6	Community	109,900	108,000
7	Environmental Health and Licensing	46,400	81,000
8	Housing (General Fund)	(62,700)	10,000
9	Local Taxation	(169,100)	(129,000)
10	Parks and Playing Fields	612,400	674,000
11	Waste and Recycling	2,169,200	2,649,000
12	Salaries and administration	5,477,900	5,381,000
13		**8,184,000**	**8,774,000**
14	**Director of Tourism**		
15	Tourism	153,700	123,000
16	Wave Leisure	509,300	405,000
17		**663,000**	**528,000**
	Deputy Chief Executive		
18	Corporate Services	113,700	122,000
19	Democratic Services	354,900	357,000
20	Salaries and administration	4,064,700	4,039,000
21		**4,533,300**	**4,518,000**
22	Corporate costs and income	1,009,400	902,000
23	Recharges to the Housing Revenue Account	(3,303,000)	(3,312,000)
24	Reserves used to finance non-recurring expenditure	(539,100)	(211,000)
25	JTP Efficiency Savings Target	(300,000)	(700,000)
26	**Recurring Net Expenditure**	**10,592,200**	**10,302,000**
27	Contributions to Reserves	1,850,100	1,514,000
28	**Net Budget Requirement**	**12,442,300**	**11,816,000**
29	Council Tax (Increase in taxbase plus increase @ 2.6%)	(7,089,200)	(7,438,000)
30	Council Tax Collection Fund Surplus	(266,400)	(130,000)
31	Retained Business Rates	(2,957,500)	(3,219,000)
32	Retained Business Rates Deficit on Collection Fund	554,500	312,000
33	Contribution from Uncommitted Reserve	(554,500)	(312,000)
34	Government Grants:		
35	- Revenue Support	(375,000)	(2,000)
36	- New Homes Bonus	(1,246,700)	(649,000)
37	- Housing Benefit and Council Tax Support administration	(423,500)	(378,000)
38	- Transition Grant	(84,000)	-
39	**Sources of Finance**	**(12,442,300)**	**(11,816,000)**

General Fund budget movements from 2017/18 to 2018/19

Net Expenditure Requirement 2017/18		12,442
Increases		
Annual pay inflation	165	
Salary harmonisation	80	
Contracts inflation	23	
Recycling Service delivery change	495	
South Downs National Park cost contribution	63	
Net effect of other unavoidable cost increases	24	
		850
Reductions		
Change in JTP Savings target	-400	
Commercial income targets	-200	
Utilities, rates, telephony, insurance, post	-150	
Pension costs	-58	
Fees and charges	-147	
Green Waste Collection Service net income	-50	
Wave Leisure saving	-105	
Reduction in Parish grants	-30	
		-1,140
Reduction in contribution to Reserves		-336
Net Expenditure Requirement 2018/19		**11,816**

External Sources of Finance 2017/18		-12,442
Reduction in Revenue Support Grant	373	
Reduction in New Homes Bonus	598	
Ending of Transition Grant	84	
Reduction in HB and Ctax support admin grants	46	
Increase in council tax base	-134	
Increase in council tax @ 2.6% (General element)	-215	
Increase in Retained Business Rates	-262	
Change in Collection Fund balance distribution	136	
		626
External Sources of Finance 2018/19		**-11,816**

Appendix C

General Fund Reserves - contributions, use and projection to projection to March 2019

		Updated Budget 2017/18				Budget 2018/19		
		Balance at 1 April '17 £'000	Contributions & transfers £'000	Commitment £'000	Balance at 31 March '18 £'000	Contributions & transfers £'000	Commitment £'000	Balance at 31 March '19 £'000
1	**Strategic Change**	(3,668)	(1,323)	3,535	(1,456)	(911)	523	(1,844)
2	**Asset Maintenance**	(2,591)	(283)	1,272	(1,602)	(283)	645	(1,240)
3	**Vehicle and Equipment Replacement**	(2,591)	(470)	1,541	(1,520)	(320)	377	(1,463)
4	**Economic Regeneration**	(274)	0	66	(208)	0	0	(208)
5	**Revenue Grants and Contributions**	(400)	0	267	(133)	0	0	(133)
6	**Unallocated**	(2,288)	226	0	(2,062)	0	0	(2,062)
7	**TOTAL**	**(11,812)**	**(1,850)**	**6,681**	**(6,981)**	**(1,514)**	**1,545**	**(6,950)**

APPENDIX D

General Fund Budget - Medium Term Outlook as at February 2018

		Base Year 2018/19 £	2019/20 £	2020/21 £	2021/22 £
1	**Recurring Net Expenditure**	**10,777,000**	**11,167,000**	**10,828,000**	**10,978,000**
2	Pay awards and increments	165,000	165,000	165,000	165,000
3	Pension Contributions	37,000	58,000	88,000	88,000
4	Inflation on contracts	23,000	23,000	23,000	23,000
5	**Total Budget Requirement with inflation**	**11,002,000**			
6	**Savings targets (corporate)**	(700,000)	**(585,000)**	**(126,000)**	**(19,000)**
7	Base contributions to Reserves	865,000			
8	**Recurring Net Expenditure**	**11,167,000**	**10,828,000**	**10,978,000**	**11,235,000**
9	New Homes Bonus contribution to Strategic Change Reserve	649,000	490,000	323,000	224,000
10	**Net Budget Requirement**	**11,816,000**	**11,318,000**	**11,301,000**	**11,459,000**
11	Council Tax	(7,438,000)	(7,669,000)	(7,853,000)	(8,041,000)
12	Council Tax Collection Fund Surplus	(130,000)	0	0	0
13	Retained Business Rates	(3,219,000)	(2,819,000)	(2,819,000)	(2,919,000)
14	Retained Business Rates Deficit on Collection Fund	312,000	0	0	0
15	Contribution from Strategic Change Reserve	(312,000)	0	0	0
16	Government Grants:				
17	- Revenue Support	(2,000)	0	0	0
18	- New Homes Bonus	(649,000)	(490,000)	(323,000)	(224,000)
19	- Housing Benefit and Council Tax Support admin	(378,000)	(340,000)	(306,000)	(275,000)
20	Use of General Fund Revenue Balance	0	0	0	0
21	**Sources of Finance**	**(11,816,000)**	**(11,318,000)**	**(11,301,000)**	**(11,459,000)**
22	Assumed Council Tax Increase	2.6%	2.6%	1.9%	1.9%
23	Assumed Increase in Council Tax Base		0.5%	0.5%	0.5%

4-year Savings Plan	**2018/19 £'000**	**2019/20 £'000**	**2020/21 £'000**	**2021/22 £'000**	**Total £'000**
Savings Requirement per MTFS	**1,034**	**585**	**126**	**19**	**1,764**
Wave Leisure service fee reduction	(104)	(104)	(105)		**(313)**
Final phasing out of LCTS grant to Towns and Parishes	(30)	(30)	(30)	(30)	**(120)**
Joint Transformation Programme - GF element	(700)	(300)			**(1,000)**
Income generation - Commercial	(200)				**(200)**
Income generation - regeneration		(200)			**(200)**
Total Savings Targets	**(1,034)**	**(634)**	**(135)**	**(30)**	**(1,833)**
Surplus target over MTFS requirement	0	(49)	(9)	(11)	(69)

Agenda Item No:	**9.3**		
Report Title:	**Capital Programme 2017/2018 to 2020/2021**		
Report To:	**Cabinet**	**Date:**	**5 February 2018**
Cabinet Member:	**Councillor Bill Giles**		
Ward(s) Affected:	**All**		
Report By:	**Alan Osborne, Deputy Chief Executive**		
Contact Officer(s):			

Name(s): **Stephen Jump (Deputy Head of Finance)**
Stephen Osborne (Principal Accountant)

E-mail(s): **steve.jump@lewes-eastbourne.gov.uk**
stephen.osborne@lewes-eastbourne.go.uk

Tel No(s): **01273 085257 / 01273 085286**

Purpose of Report:

To recommend to Council the revised 2017/2018 Capital Programme, the 2018/2019 Capital Programme, the outline Capital Programme 2019/2020 to 2020/2021 and the associated Prudential Indicators.

Officers Recommendation(s):

1 To approve the revised 2017/2018 Capital Programme of £26.424m at Appendix 1 and recommend it to Council.

2 To approve the 2018/2019 Capital Programme of £32.407 at Appendix 2 and recommend it to Council.

3 To approve the outline Capital Programme 2019/2020 to 2020/2021 of £23.663m at Appendix 2 and recommend it to Council.

4 To approve the Prudential Indicators in respect of the Capital Programme detailed in Section 6, and recommend to Council that they are adopted for 2018/2019.

Reasons for Recommendations

1 As part of the annual budget cycle the Cabinet considers what level of capital support to allocate to its policy programme. It also considers the medium term position in relation to likely capital needs and available resources. The Council's Constitution requires Cabinet to make a recommendation to Council on the level of the Capital Programme budget.

2 Part 1 of the Local Government Act 2003 introduced a framework for local authority capital expenditure and financing, the ‘Prudential Capital Finance System’. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, which define this system, requires local authorities to follow the ‘Prudential Code for Capital Finance in Local Authorities’ (the Prudential Code) when taking their decisions. The Prudential Code requires authorities to set a number of ‘Prudential Indicators’ before the beginning of each financial year.

3 Background to the Capital Finance system

3.1 The Local Government Act 2003 introduced a framework for local authority capital finance. The key feature of the system is that local authorities are free to raise finance for capital expenditure where they can afford to service the resulting debt.

3.2 In the case of non-Housing Revenue Account schemes, a local authority is able to borrow to finance capital expenditure without any limit being imposed by the Government, provided that the local authority considers the borrowing to be ‘affordable’. The Secretary of State retains an overall power to intervene if the national total of intended local authority borrowing is unacceptable ‘for national economic reasons’.

3.3 In determining how much borrowing is ‘affordable’ local authorities are required to have regard to the Prudential Code, published by the Chartered Institute of Public Finance and Accountancy (CIPFA). CIPFA published a new version of the code in late December 2017. The Prudential Code does not set out in detail how authorities should calculate their own level of borrowing, but provides an overall framework within which local authorities must ensure that their capital spending plans are prudent, affordable and sustainable.

3.4 In the case of capital expenditure in respect of council housing, the Government considers that it is necessary, due to the current fiscal position, to maintain control on authorities’ debt. It exercises control by specifying for each housing authority a limit to that authority’s housing indebtedness (Debt Cap). The Debt Cap restricts the ability of an authority to take on additional borrowing in respect of its housing stock even if that borrowing is affordable by its Housing Revenue Account (HRA). The Government set this Council’s Debt Cap at £75.248m.

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. The new Prudential Code has deleted some Prudential Indicators and recommends that others are included in an authority’s capital programme. However, following the recommendation of Arlingclose, the Council’s Treasury Advisor, changes to the presentation of the Council’s Prudential Indicators will not be implemented for the 2018/19 estimates – these will be introduced in future years. 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 The updated Prudential Code includes a new requirement for local authorities to produce a Capital Strategy, which is a summary document approved by full Council covering capital expenditure, financing, treasury management and non-treasury investments. There is no requirement for this to be an annual document, or for it to be approved before the start of the financial year. CIPFA recognises that authorities may require a lead-in period to create a Capital Strategy and that this requirement may not be able to be fully implemented until 2019/2020.

The former Department for Communities and Local Government has consulted on items to be included with in the Capital Strategy but has not yet reported on the outcome. In the light of this, the Council will not be asked to approve a Capital Strategy before the start of 2018/2019.

4 Financing Capital expenditure

4.1 All capital expenditure has to be financed, either in the year that it is incurred or over a period of time (recognising that capital assets have a life which extends into the future). The core sources of finance are:

- Capital receipts generated from the sale of capital assets
- Reserves
- Direct from Revenue budgets
- Third-Party Contributions e.g. Developers '106 Agreements'
- Grants and Contributions

4.2 Capital expenditure not financed in year remains as a 'capital financing requirement' funded temporarily by borrowing. Annual provision is made from the revenue budgets to repay this outstanding borrowing over time. As noted above, the total amount borrowed must be affordable, when taking into account both the principal repayments required and the interest payable on outstanding loans.

4.3 Capital Receipts from the sale of houses and flats under the Right to Buy scheme are a key source of funding for capital expenditure. Regulations specify that these receipts are divided into four elements as shown in the table below. The amounts shown are for illustration and relate to the eight properties sold by the Council in the first nine months of 2017/2018.

	1 April to 31 Dec 2017	
	£	**%**
Core receipts retained to fund capital expenditure	124,190	13
Receipts retained for the repayment of HRA debt	120,235	13
Receipts paid to the Government	303,244	32
Additional receipts retained to fund new affordable housing	393,081	42
Total	**940,750**	**100**

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

5 Capital Programme

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

5.2 Capital Programme 2017/2018

5.2.1 The approved 2017/2018 Capital Programme is set out in Appendix 1 (lines 1 to 28), with a total value of £47.596m. As noted above, for completeness, this includes the full cost of implementing new capital schemes although some of the expenditure will fall into 2018/2019 and, potentially, later years. Where it is known that projects to which budgets had been allocated in 2017/2018 will not now start until 2018/2019, those budgets are now rolled forward. Total spend at the end of Quarter 3 was £5.271m.

5.2.2 Cabinet is recommended to approve the variations to the 2017/2018 Capital Programme identified in Appendix 1, reducing the total value of the programme by £21.172m to £26.424m. Variations are as follows:

(a) Line 3 Improvements to Stock – Variation to reflect the proposed programme of improvements to stock.

(b) Line 10 Mandatory Disabled Facilities Grants – Additional resources made available by central government.

(c) Line 13 Commercial Property Acquisition and Development – Approved initial allocations for redevelopment in Newhaven and Seaford. Although some spending on consultancy and professional fees will take place in 2017/2018, £2.3m of the allocated amounts have been carried forward to 2018/2019.

(d) Line 14 North Street Quarter – This allocation includes £3.5m for the construction of a new fire station on the Springman House site. The majority of this allocation has been carried forward to

2018/2019. An allocation of £0.6m has been made in 2017/2018 to cover costs expected to be incurred on other aspects of the NSQ Development.

(e) Line 17 Vehicle, Plant and Equipment – Variation to reflect the proposed replacement and renewal programme.

(f) Line 21 Newhaven Fort – Allocation in respect of the Development Phase of the Renaissance Fort Project.

(g) Line 23 Parks, Recreation and Play Areas – Urgent Health and Safety works required to the footpath at Malling Recreation Ground.

(h) Line 24 Property Assets Major Works – A programme of security and safety work has been identified for Robinson Road Depot, to start in 2017/2018 and complete in 2018/2019. Urgent repairs are needed to a wall at Seaford Cemetery for safety reasons.

(i) Line 25 Community Infrastructure (CIL) – Variation to reflect expected CIL payments to Town \and Parish Councils.

(j) Line 26 LHIC and Aspiration Homes - Deferral of funding loans into 2018/2019.

5.3 Resources to support the future Capital Programme

5.3.1 The following table sets out a projection of the core resources which will be available at 1 April 2018 to finance capital expenditure, other than borrowing.

Line		£m
1	*Resources for the HRA Programme*	
2	- Major Repairs Reserve	9.071
3	- Retained Right to Buy receipts	1.486
4	- Capital Expenditure Financed from Revenue	-
5	Sub-total HRA	10.557
6	*Resources for the General Fund Programme*	
7	- Disabled Facilities Grant (Better Care Fund)	0.920
8	- Capital Expenditure Financed from Revenue	1.158
9	Sub-total General Fund	2.078
10	Capital Receipts	3.325
11	Total	15.960

Note: In addition, the Council's earmarked reserves can be used to support capital expenditure (e.g. Vehicle and Equipment Reserve).

Key items in the table above are:

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 2018/2019 will be £5.485m. At 1 April 2018, the balance of MRR received in previous years, but not yet used, is expected to be £3.586m.

Line 4
HRA Revenue Contribution: no direct revenue funding of the HRA capital programme is proposed for 2018/2019.

Line 7
Disabled Facilities Grant funding: This amount reflects Better Care Funding of the cost of awarding mandatory Disabled Facilities Grants made available by East Sussex County Council (ESCC). The allocation shown is provisional, pending confirmation by ESCC, and is at the 2017/2018 level.

Line 10
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 2018, with no account taken of any receipts that may be received in 2018/2019, or subsequent years.

5.3.2 Retained receipts from Council House Right to Buy Sales must be spent on new affordable housing, but can only be used to fund a maximum of 30% of the cost of the new homes. The retention scheme was implemented on 1 April 2012 and since that date receipts with a total value of £3.601m have been initially retained requiring spending of £12.003m on new affordable homes by December 2020. Of this amount £5.783m has been spent to date and £1.266m is already committed to the construction of new homes.

5.3.3 Cabinet has previously determined that as Disabled Facility Grants are mandatory, they should be the first call on available funds, with any remaining core housing receipts used to pay for other elements within the Private Sector Housing Renewal programme (e.g. energy efficiency initiatives).

5.3.4 General Fund Reserves are also available to fund either revenue or capital expenditure.

5.3.5 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 £9.842m of borrowing headroom available to support the construction or acquisition of new Council-owned homes, up to 30% of the cost of which can be financed from retained Right to Buy receipts as explained in paragraph 5.3.2.

5.4 Capital Programme 2018/2019 to 2020/2021

5.4.1 The Prudential Code requires local authorities to plan their capital expenditure programme for at least three years ahead. The most detailed information is available for year 1, with the programme for years 2 and 3 liable to variation when more precise forecasting can be undertaken in terms of both the availability of capital resources and spending requirements.

5.4.2 The recommended Capital Programme for 2018/2019 to 2020/2021 is set out in Appendix 2. It should be noted that the items shown for 2019/2020 and 2020/2021 are provisional at this stage.

5.4.3 Housing Capital Programme

(a) The proposed three year Housing Capital Programme is shown at Appendix 2 (lines 1 to 15), with a total value of £6.549m in 2018/2019.

(b) The proposed programme includes an annual allocation of £0.200m (line 3) for the potential purchase of properties previously sold under the Right to Buy Scheme.

(c) The capital programme will be amended as specific projects are developed for the construction of new dwellings, part-financed from retained right to buy receipts with funding from borrowing to the level of the HRA debt cap.

(d) Those items which relate to improving the Council's own housing stock and other works (Appendix 2 - Lines 4 to 9) are consistent with the Housing Business Plan. The allocation for improvements (line 4) is derived from the stock condition survey that was completed in 2016. The total HRA Capital Programme for this three year period, £15.854m, is funded by borrowing (£0.600m) and the Major Repairs Reserve (£15.254m).

(e) The mandatory Disabled Facilities Grants programme in 2018/2019 is £0.920m (line 12) and provides aids and adaptations for disabled persons to live independently in their own homes. The programme is wholly funded by Government grant passed down via East Sussex County Council.

(f) It is proposed to continue the programme of Private Sector Housing grants and loans for emergency repairs and energy efficiency measures, with an allocation of £0.135m (line13) in each year of the programme, funded from capital receipts.

5.4.4 General Fund Capital Programme

(a) The Non-Housing Programme (Appendix 2, lines 16 to 39) has a proposed value in 2018/2019 of £25.858m. This excludes any provision that Cabinet may make available when it agrees the General Fund Revenue Budget for 2018/2019.

(b) Loans to LHIC and Aspiration Homes loans (line 17) for the delivery of new homes outside the HRA are deferred from 2017/18.

(c) An allocation of £4m has been made in the programme (line 19) to enable commercial property acquisitions with the purpose of generating future rental income streams. Any specific acquisition will be subject to a detailed financial appraisal and approved by Cabinet before going ahead.

(d) North Street Quarter, Lewes (line 20) is carried forward from 2017/18, to reflect phasing of expenditure on this project.

(e) An allocation, deferred from 2017/18, of £2.3m (lines 21 & 22) has been made in the programme for asset development in Newhaven and Seaford.

(f) An allocation of £0.156m (line 24) is made for the replacement of vehicles as they reach the end of their effective operational life, and is funded from reserves.

(g) An allocation of £0.150m (line 31) is made for IT replacements to ensure that business centered equipment, data storage infrastructure and key security systems can be replaced at the end of life. This is funded from reserves.

(h) A total of £0.408m is allocated across three years in respect of Flood Protection measures (line 28) as agreed by Council in February 2016, funded from monies which were previously paid as a levy to the Environment Agency in respect of the Drainage Board, which ceased in December 2016.

(i) An allocation of £0.250m (line 33) is included for major repairs and refurbishment to corporate property.

(j) An allocation of £0.050m (line 36) is included for refurbishment work to Newhaven Fort, as agreed with WAVE Leisure which is operating the Fort under a management agreement with the Council.

(k) A recurring allocation of £0.050m (line 37) is provided for major works for which the Council is responsible as landlord at the leisure facilities which are operated by Wave leisure.

(l) The General Fund Capital Programme 2018/2019 is funded from Borrowing (£24.700m), Reserves (£1.022m), and direct revenue contributions (£0.136m).

6 Prudential Indicators

6.1 As noted in section 3 above, the Prudential Framework requires local authorities to ensure that their capital expenditure plans are affordable and sustainable in the longer term. A key element in making this judgment is the impact that the capital expenditure plans will have on the General Fund and the Housing Revenue Account. The impact is measured through a number of 'Prudential Indicators'.

6.2 The indicators derived from the capital programme at Appendix 2 are given in 6.2.1 to 6.2.4 below. The effect of the capital programme on both the General Fund and Housing Revenue Account is considered to be affordable. There will be no impact on affordability by the introduction of any new schemes in to the programme, provided that they are fully funded from external sources.

6.2.1 Estimates of Capital Expenditure

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

No	Capital Expenditure	2017/18 Estimate £m	2017/18 Revised £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m
1a	Non-HRA	8.875	16.243	26.913	7.335	5.968
1b	HRA	5.681	10.181	5.494	5.180	5.180
	Total	**14.556**	**26.424**	**32.407**	**12.515**	**11.148**

6.2.2 Ratio of Financing Costs to Net Revenue Stream

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

No	Ratio of Finance Costs to Net Revenue Stream	2017/18 Estimate %	2017/18 Revised %	2018/19 Estimate %	2019/20 Estimate %	2020/21 Estimate %
2a	Non-HRA	1.62	1.47	1.65	1.68	1.65
2b	HRA	15.82	15.82	18.08	18.08	18.08

6.2.3 Capital Financing Requirement

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

No	Capital Financing Requirement	2017/18 Approved £m	2017/18 Revised £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m
3a	Non-HRA	18.848	19.556	43.951	47.649	51.349
3b	HRA	65.168	66.926	65.979	65.033	64.087
	Total CFR	**84.016**	**86.482**	**109.930**	**112.682**	**115.436**

6.2.4 Incremental Impact of Capital Investment Decisions

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

No	Incremental Impact of Capital Investment Decisions	2017/18 Approved £	2017/18 Revised £	2018/19 Estimate £	2019/20 Estimate £	2020/21 Estimate £
5a	Increase in Band D Council Tax	79.35	151.02	47.96	63.95	27.08
5b	Increase in Average Weekly Housing Rents	0.85	2.60	0.82	0.78	0.79

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 2018/2019 and 2019/2020 the costs shown relate to the recurring effects of the 2017/2018 programme only
- The 2018/2019 tax base has been used in the calculations for 2019/2020 onwards

Financial Implications

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

Legal Implications

8 None arising from this Report.

Risk Management Implications

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

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

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

Equality Screening:

10 Any equality implications relating to the projects within the 2017/2018 Capital Programme were considered by Cabinet at the time that it approved those projects. The Outline Capital Programme for 2018/2019 to 2020/2021 is largely a continuation of the 2017/2018 Programme and does not have a disproportionate impact on any group. Support for Mandatory Disabled Facilities Grants is maintained at the level of funding made available by the Government through East Sussex County Council.

Background Papers: None

Appendices: Appendix 1 Revised Capital Programme 2017/2018
Appendix 2 Proposed Capital Programme 2018/2019 to 2020/2021

THE CAPITAL PROGRAMME 2017/2018

APPENDIX 1

Line	SUMMARY	Approved Programme 2017/18	Variations to approve	Proposed Programme 2017/18	Quarter 3 2017/18 spend	Remaining allocation
1	**HRA HOUSING INVESTMENT CAPITAL PROGRAMME**	£	£	£	£	£
2	New Homes	1,910,000		1,910,000	269,917	1,640,083
3	Improvements to Stock	8,002,580	(1,661,250)	6,341,330	2,276,113	4,065,217
4	Saxonbury	1,500,000		1,500,000	6,500	1,493,500
5	Recreation & Playareas	62,960		62,960	2,098	60,862
6	Room in Roof Conversions	366,940		366,940		366,940
7	TOTAL HRA HOUSING INVESTMENT CAPITAL PROGRAMME	11,842,480	(1,661,250)	10,181,230	2,554,628	7,626,602
8	**GENERAL FUND HOUSING INVESTMENT CAPITAL PROGRAMME**					
9	Private Sector Housing Support	158,120		158,120	33,972	124,148
10	Mandatory Disabled Facilities Grants	1,235,250	90,380	1,325,630	361,204	964,426
11	**TOTAL GENERAL FUND HOUSING INVESTMENT CAPITAL PROGRAMI**	1,393,370	90,380	1,483,750	395,176	1,088,574
12	**GENERAL FUND CAPITAL PROGRAMME**					
13	Commercial Property Acquisition and Development	4,922,000	(2,300,000)	2,622,000	246,640	2,375,360
14	North Street Quarter	3,500,000	(2,900,000)	600,000	215,765	384,235
15	Joint Transformation Programme	1,541,770		1,541,770	547,530	994,240
16	Waste & Recycling Review	1,800,000		1,800,000	374,249	1,425,751
17	Vehicle, Plant & Equipment Replacement Programme	183,000	153,000	336,000	100,000	236,000
18	IT Equipment Replacement Programme	309,400		309,400	279,000	30,400
19	Coastal Defence Works	118,860		118,860		118,860
20	Flood Alleviation Project	136,000		136,000	34,000	102,000
21	Newhaven Fort (Major Repairs & Improvements)	50,000	207,400	257,400	27,199	230,201
22	Indoor Leisure Facilities - Major repairs and improvements	256,160		256,160	17,676	238,484
23	Parks, Recreation, Play Areas	759,310	35,000	794,310	130,250	664,060
24	Property Assets Major Works	761,170	94,000	855,170	218,376	636,794
25	Community Infastructure	22,444	109,276	131,720	130,268	1,452
26	LHIC/Aspiration Homes - loans to facilitate delivery of new homes	20,000,000	(15,000,000)	5,000,000		5,000,000
27	**TOTAL GENERAL FUND CAPITAL PROGRAMME**	34,360,114	(19,601,324)	14,758,790	2,320,953	12,437,837
28	**TOTAL OVERALL CAPITAL PROGRAMME**	47,595,964	(21,172,194)	26,423,770	5,270,757	21,153,013
29	**CAPITAL PROGRAMME FUNDING**					
30	Borrowing			10,754,500		
31	Capital Receipts			1,073,940		
32	Reserves			11,919,580		
33	Capital Grants			1,593,990		
34	Section 106 Contributions			424,280		
35	Other Capital Contributions			189,760		
36	Capital Expenditure Financed from Revenue (General Fund)			136,000		
37	Capital Expenditure Financed from Revenue (Housing Revenue Account)			200,000		
38	CIL Contributions			131,720		
39	**TOTAL CAPITAL PROGRAMME**			26,423,770		

OUTLINE 3 YEAR CAPITAL PROGRAMME 2018/19 to 2020/21

APPENDIX 2

Line No.		2018/19 £'000	2019/20 £'000	2020/21 £'000	Total £'000
1	**HOUSING CAPITAL PROGRAMME**				
2	**HRA Housing Investment Capital Programme**				
3	New Dwellings	200	200	200	600
4	Improvements to Existing Stock	4,352	4,350	4,350	13,052
5	Improvements to Stock - other not included in survey				
6	- Disabled adaptations	415	415	415	1,245
7	- Lift replacements	312			312
8	Recreation & Playareas	50	50	50	150
9	Rooms in Roof Conversions	165	165	165	495
10	**Total HRA Housing**	**5,494**	**5,180**	**5,180**	**15,854**
11	**General Fund Housing Investment Capital Programme**				
12	Mandatory Disabled Facilities Grants	920	920	920	2,760
13	Private Sector Housing Grants	135	135	135	405
14	**Total General Fund Housing**	**1,055**	**1,055**	**1,055**	**3,165**
15	**Total Housing Capital Programme**	**6,549**	**6,235**	**6,235**	**19,019**
16	**GENERAL FUND CAPITAL PROGRAMME**				
17	LDC/Aspiration Homes - loans to faciltate delivery	15,000			15,000
18	**Regeneration**				
19	Commercial Property acquisitions and developments	4,000	4,000	4,000	12,000
20	North Street Quarter	3,400			3,400
21	Asset Development - Newhaven	1,000			1,000
22	Asset Development - Seaford	1,300			1,300
23	**Waste**				
24	Vehicles	156	1,594	227	1,977
25	Other Equipment	71			71
26	**Specialist**				
27	Air Quality Monitoring Station Newhaven	80			80
28	Flood Protection Measures	136	136	136	408
29	Tree Survey Works	10			10
30	**IT**				
31	IT Block Allocation	150	150	150	450
32	**Asset Management**				
33	Asset Management - Block Allocation	250	250	250	750
34	Robinson Road Depot - Priority works	55			55
35	Parks, Pavilions etc. – Remedial works	50	50	50	150
36	Newhaven Fort - Major repairs and improvements	50	50	50	150
37	Indoor Leisure Facilities - Major repaiars and improvements	50	50	50	150
38	Newhaven Square – Completion of fit out works	100			100
39	**Total General Fund Capital Programme**	**25,858**	**6,280**	**4,913**	**37,051**
40	**TOTAL CAPITAL PROGRAMME REQUIREMENT**	**32,407**	**12,515**	**11,148**	**56,070**
41	**FUNDING AVAILABILITY**				
42	Borrowing - HRA	200	200	200	600
43	Borrowing - General Fund	24,700	4,000	4,000	32,700
44	General Fund Capital Receipts	135	135	135	405
45	Grant - Disabled Facilities	920	920	920	2,760
46	General Fund Reserves	1,022	2,144	777	3,943
47	HRA Reserves	5,294	4,980	4,980	15,254
48	Capital Expenditure Financed from Revenue - General Fund	136	136	136	408
49	**Total Funding Availability**	**32,407**	**12,515**	**11,148**	**56,070**

Agenda Item No:	**9.4**
Report Title:	**Annual Treasury Management Strategy Statement and Investment Strategy 2018/2019 to 2020/2021**
Report To:	**Cabinet** **Date:** **5 February 2018**
Cabinet Member:	**Councillor Bill Giles**
Ward(s) Affected:	**All**
Report By:	**Alan Osborne, Deputy Chief Executive**

Contact Officer(s):
Name(s): **Stephen Jump**
Post Title(s): **Deputy Head of Finance**
E-mail(s): **steve.jump@lewes-eastbourne.gov.uk**
Tel No(s): **01273 085257**

Purpose of Report:

To advise Cabinet of the proposed Treasury and Investment Strategies for 2018/2019 to 2020/2021.

To seek Council determination of (i) the 2018/2019 authorised borrowing limit (as required by section 3(1) of the Local Government Act 2003), (ii) the Council's 2018/2019 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 2018/2019 to 2020/2021 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:

	2017/2018	2018/2019	2019/2020
Authorised limit for external debt	£88.5m	£112.0m	£114.5m

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

e. The Council's Minimum Revenue Provision be calculated as set out in Section 13 of the Strategy Statement.

Reasons for Recommendations

1. The Council has adopted the CIPFA Code of Practice on Treasury Management. In accordance with the Code of Practice, the Cabinet recommends to Council an Annual Treasury Strategy Statement before the start of each financial year. This includes an Investment Strategy for the year ahead (which Government guidance notes should be adopted by full Council) as well as 'Prudential Indicators' which are required to be set in order to comply with the 'Prudential Code for Capital Finance in Local Authorities' (The Prudential Code). The majority of these indicators are an essential element of an integrated treasury management strategy.

2. The Local Authorities (Capital Finance and Accounting)(England) Regulations 2003 place a duty on local authorities to make a prudent provision for debt redemption. Guidance has been issued by the Secretary of State on determining 'Minimum Revenue Provision'.

3. Section 3 of the Local Government Act 2003 requires the Council to determine and keep under review how much money it can afford to borrow. This is known as the 'affordable borrowing limit'.

Annual Treasury Management Strategy Statement and Investment Strategy 2018/2019 to 2020/2021

1. Introduction

1.1. The draft Strategy Statement is attached at Appendix 1. It 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 Code of Practice and has been prepared with the support of Arlingclose, the Council's Treasury advisers. In late December, CIPFA published new versions of its Treasury Management in the Public Services: Code of Practice and Cross-sectoral Guidance Notes (TM Code) and The Prudential Code for Capital Finance in Local Authorities (Prudential Code) in late December 2017. The publication of new Codes in December could be considered as unhelpful timing by CIPFA. However the new TM Code does not recommend any changes to the format or content of the Strategy Statement.

1.3. In its consultation on changes to the Code, CIPFA proposed changes to the treasury management Prudential Indicators. However, these are contained in the local authority sector-specific guidance notes, not the TM Code itself (which applies to the wider public sector). Updated local authority guidance notes will be published later in 2018.

1.4. Where a local authority produces a Capital Strategy (see below), the TM Code allows the Treasury Management Strategy Statement to be approved by a committee instead of full council. However, Government guidance across the UK requires full council to approve the Investment Strategy, so this will have little effect until Government guidance is changed.

1.5. The updated Prudential Code includes a new requirement for local authorities to produce a Capital Strategy, which is to be a summary document approved by full council (or equivalent) covering capital expenditure and financing, treasury management and non-treasury investments. There is no requirement in the Code for this to be an annual document, nor for it to be approved before the start of the financial year. CIPFA recognises that authorities may require a lead-in period to create a Capital Strategy and that this requirement may not be able to be fully implemented until 2019/2020.

1.6. In a separate consultation (which closed at the end of December 2017) on changes to the Guidance on Local Authority Investments applicable to authorities in England, the former Department for Communities and Local Government proposed certain items be included within the Capital Strategy. At the time of writing this report, the Government has not reported on the outcome of the consultation or made changes to the Guidance. In the light of this, the Council will not be asked to approve a Capital Strategy before the start of 2018/2019.

1.7. The Council continues to enhance its commercial property portfolio and seek opportunities to develop existing land-holdings, generating additional revenue income streams. The capital programme also includes provision to make loans to Lewes Housing Investment Company and Aspiration Homes (which are wholly-owned and part-owned by the Council respectively). This investment of financial resources is outside the remit of (though has an impact on) this Strategy which has a remit of treasury management activity only.

2. Audit and Standards Committee Review

2.1. The Audit and Standards Committee received the draft Strategy Statement at its meeting on 22 January 2018 in line with the Code of Practice’s recommendation that the annual Treasury Strategy should be subject to scrutiny. The Audit and Standards Committee made no specific comments on the content of the Treasury Strategy for Cabinet to consider. 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 Audit and Standards Committee were made aware that the draft Strategy Statement presented to them contained values (eg capital expenditure, use of reserves, capital financing requirement) which were best estimates at the time of preparing their report, and which may be revised when draft budget papers are finalised for consideration by Cabinet at this meeting. It was explained that any revisions were expected to be immaterial, with no bearing on the Strategy proposed.

3. 2018/2019 Strategy Statement in context

3.1. Given the risk and continued low returns from short-term unsecured bank investments, the Strategy enables the Council to continue diversification into more secure and/or higher yielding asset classes during 2018/2019. Diversification is of importance in the context of the reduction in Council reserves and balances 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.

3.2. Although the Council will continue to utilise the cash held in our reserves to minimise the amount borrowed to fund capital expenditure (rather than invest that money), that is unlikely to be sufficient to meet all of our funding needs. Further borrowing, either short term or long-term, will be required.

4. Proposed changes to Investment Strategy

4.1. The minimum credit rating for investments permissible under the current Strategy is long-term 'BBB+'. Arlingclose have changed their approach for 2018/2019 and now recommend a minimum credit rating of 'A-', one level higher. It is proposed to move to that level for 2018/2019.

4.2. The current Strategy limits the total of long-term investments (ie more than one year) to £3m. Arlingclose advise that clients should seek longer term-investment opportunities, which brings the potential for higher returns, where funds are known to be available. In view of the funds required to support the capital programme, it is proposed to reduce the limit for the total of long-term investments (ie more than one year) to £2m.

4.3. Appendix C (page 21) of the Strategy sets out approved counterparty types and limits for 2018/2019 in detail. A limit of £2m per counterparty will apply, with the exception of investments with Government bodies (unlimited) and pooled funds, for example Money Market Funds, for which the individual limit will be £3m. With the exception of the change to the credit rating criteria referred to above, all counterparty types and investment durations remain unchanged from the current Strategy.

4.4. It should be noted that the presence of a counterparty type on the list at Appendix C does not necessarily mean that it will be used by the Council.

5. Borrowing Strategy

5.1. The current approach of 'internal borrowing' (ie using cash held as balances, reserves and working capital as an alternative to long-term borrowing) as a means of funding capital expenditure will continue in 2018/2019. As this is likely to be insufficient to meet all of the capital programme funding needs, additional borrowing is expected to be required. The need to borrow can be met either by long-term fixed rates loans or short-term borrowing (which is likely to be available at lower rates of interest than long-term loans), or a combination of the two. Arlingclose will assist the Council in determining the most appropriate the option.

5.2. The Council will remain open to the possibility of debt rescheduling (ie replacing an existing loan with a new loan or loans, or repaying a loan without replacement) where this is expected to lead to an overall saving or reduction in risk.

6. Provision for debt repayment

6.1. Local authorities are required to make prudent provision for the repayment of debt, and set the Policy for doing so each year. A local authority is required to have regard to statutory guidance on the 'Minimum Revenue Provision' when setting its Policy.

6.2. Government consultation on changes to the statutory guidance closed at the end of December 2017 but the outcome is unknown at the time of writing this report. For this reason, the proposed Policy (set out in Section 13 of the Strategy) is unchanged from 2017/2018. Under the Policy, no provision for the repayment of debt will be made in respect of expenditure incurred for development or asset realisation purposes (eg associated with the North Street Development) or capital expenditure on commercial investment property.

Risk Management Implications

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

Financial Implications

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

Legal Implications

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

Equality Screening:

10. 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

11. Appendix 1 – Treasury Management Strategy Statement and Investment Strategy 2018/2019 to 2020/2021.

Background Papers

12. Treasury Strategy Statement 2017/2018

Lewes District Council

Treasury Management Strategy Statement and Investment Strategy 2018/19 to 2020/2021

Contents

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 2018, total cumulative capital expenditure which will need to be funded amounts to £86.5m. The actual long term-borrowing (the mortgage) that we currently have is only £56.7m. Although we are using the cash held in our reserves to make up the difference (rather than invest that money), that is likely to be insufficient to meet all of our funding needs and further borrowing, either short term or long-term, will be required (See Sections 6 and 7 for the details).

1.2 Debt rescheduling – The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall saving or reduction in risk. (See Section 8 for the details).

1.3 Accounting for debt – the Council will adopt a two-Pool approach in order to manage and account for the debt of the General Fund/Housing Revenue Account. (See Section 9 for the details).

1.4 Investing – at any given time, the Council has varying amounts of cash consisting of reserves and balances, as well as working capital, which must be held securely. The security of our investments is our highest priority. We have defined the types of investment that we will make and the criteria that those organisations with which we will deal must meet. (See Sections 10 and 11 for the details).

1.5 Providing for the repayment of debt – we will continue to make annual provisions to repay our long term borrowing. (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, with quarterly reports to Cabinet. (See Section 14 for the details).

2. Treasury Management Defined

2.1 The Council defines its Treasury Management activities as:

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

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

3. Scope of the Treasury Management Strategy Statement

3.1 This Strategy Statement sets out the Council's approach to financing (borrowing) and investment for the financial year but also sets the context for the following two years.

3.2 The Council has adopted the Chartered Institute of Public Finance and Accountancy's (CIPFA's) Code of Practice for Treasury Management in Public Services (the "TM Code"). This requires local authorities to determine the Treasury Management Strategy Statement (TMSS) before the start of the financial year.

3.3 The Department for Communities and Local Government. (DCLG) issued 'Guidance on Local Authority Investments' in 2010 that requires each local authority to approve an investment strategy before the start of each financial year. This Strategy Statement incorporates that formal Investment Strategy. Government consultation on proposed changes to the Guidance on Local Authority Investments closed at the end of December 2017 and at the time of drafting this Strategy Statement, it is not known whether any changes in the Guidance will be implemented or when. The Strategy Statement will be updated during the course of the year if changes in the Guidance have a material impact.

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.

3.5 In accordance with the DCLG Guidance, the Council will be asked to approve a revised Treasury Management Strategy Statement should the assumptions on which this report is based change significantly. Such circumstances would include, for example, a large unexpected change in interest rates, or in the Council's capital programme or in the level of its investment balance.

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

The major external influence on the Authority's treasury management strategy for 2018/19 will be the UK's progress in negotiating its exit from the European Union and agreeing future trading arrangements. The domestic economy has remained relatively robust since the surprise outcome of the 2016 referendum, but there are indications that uncertainty over the future is now weighing on growth. Transitional arrangements may prevent a cliff-edge, but will also extend the period of uncertainty for several years. Economic growth is therefore forecast to remain sluggish throughout 2018/19.

Consumer price inflation reached 3.0% in September 2017 as the post-referendum devaluation of sterling continued to feed through to imports. Unemployment continued to fall and the Bank of England's Monetary Policy Committee judged that the extent of spare capacity in the economy seemed limited and the pace at which the economy can grow without generating inflationary pressure had fallen over recent years. With its inflation-control mandate in mind, the Bank of England's Monetary Policy Committee raised official interest rates to 0.5% in November 2017.

In contrast, the US economy is performing well and the Federal Reserve is raising interest rates in regular steps to remove some of the emergency monetary stimulus it has provided for the past decade. The European Central Bank is yet to raise rates, but has started to taper its quantitative easing programme, signalling some confidence in the Eurozone economy.

5.2 Credit Outlook

High profile bank failures in Italy and Portugal have reinforced concerns over the health of the European banking sector. Sluggish economies and fines for pre-crisis behaviour continue to weigh on bank profits, and any future economic slowdown will exacerbate concerns in this regard.

Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the European Union, Switzerland and USA, while Australia and Canada are progressing with their own plans. In addition, the largest UK banks will ringfence their retail banking functions into separate legal entities during 2018. There remains some uncertainty over how these changes will impact upon the credit strength of the residual legal entities.

The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Council; returns from cash deposits however remain very low.

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. The Arlingclose central case is for Bank Rate to remain at 0.50% during 2018/19, following the rise from its historic low of 0.25%. The Monetary Policy Committee re-emphasised that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.

Future expectations for higher short term interest rates are subdued and on-going decisions remain data dependant and negotiations on exiting the EU cast a shadow over monetary policy decisions. The risks to Arlingclose's forecast are broadly balanced on both sides. The Arlingclose central case is for gilt yields (which are indicators of borrowing rates) to remain broadly stable across the medium term. Upward movement will be limited, although the UK government's seemingly deteriorating fiscal stance does bring a risk of increases.

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 significantly in the near future and to invest for longer periods if interest rates are considered to be close to their peak. In terms of borrowing, it is preferable to borrow short-term when interest rates are high and expected to fall and to undertake long-term borrowing when interest rates are low and expected to rise.

5.5 The 2018/2019 estimate for external interest payments associated with the current loan portfolio (ie before any new borrowing required to fund the capital programme in full) is £1.72m (£1.73m in 2017/2018), which reflects the stability of the loan portfolio at fixed interest rates. The estimate for external interest receipts (assuming that surplus funds are retained at their 2017/2018 levels) is £0.1m, unchanged from 2017/2018

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 was fixed at £72.931m. In

2014/2015 local authorities were able to bid for increases in their housing debt caps in order to enable specific projects. A bid from this Council was successful and this Council's debt cap increased to a maximum of £75.248m to enable the construction of new Council-owned homes on 7 specified former garage sites.

In November 2017, the Government announced that councils in areas of high housing demand would be able to apply for increases in the debt cap. At the time of drafting this Strategy no further information has been released, but this Council is not expected to meet the eligibility requirements.

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 2018/2019. However, if the spending plans set out in the capital programme are achieved, additional external borrowing will be necessary.

6.3 The CFR is, in simple terms, the amount of capital expenditure which has been incurred by the Council but which has not yet been paid for (by using, for example, grants, capital receipts, reserves or revenue income) and in the meantime is covered by internal or external borrowing. 'External borrowing' is where loans are raised from the Public Works Loans Board (PWLB) or banks. Alternatively it is possible to 'internally borrow' the significant levels of cash which has been set aside in Balances and Reserves and which would otherwise need to be invested with banks or other counterparties..

6.4 The CFR is calculated each year in accordance with a statutory formula. As noted above, the level of CFR increases each year by the amount of capital expenditure which is yet to be financed and is reduced by the amount that the Council sets aside for the repayment of borrowing. This is illustrated in the table overleaf. Amounts from 2017/2018 onwards are indicative. Projected capital expenditure in 2017/2018 and 2018/2019 with a financing requirement includes £20.0m in loan facilities to Lewes Housing investment Company (LHIC) and Aspiration Homes, development projects in Seaford and Newhaven (£2.7m), an allocation for commercial acquisitions or developments (£5.3m) and the North Street Quarter project (£4.0m). All of these will generate new income to support the General Fund budget in future years.

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Opening CFR	71.531	77.042	86.482	109.930	112.682
Capital exp in year	19.239	26.424	32.407	12.515	11.148
Less financed	(10.527)	(15.669)	(7.508)	(8.315)	(6.948)
Less amount set aside for debt repayment	(3.201)	(1.315)	(1.451)	(1.448)	(1.446)
Closing CFR	**77.042**	**86.482**	**109.930**	**112.682**	**115.436**

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

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
General Fund	11.709	19.556	43.951	47.649	51.349
HRA	65.333	66.926	65.979	65.033	64.087
Total CFR	**77.042**	**86.482**	**109.930**	**112.682**	**115.436**

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):

	31/3/17 £m	31/3/18 £m	31/3/19 £m	31/3/20 £m	31/3/21 £m
(a) Capital Financing Requirement	77.042	86.482	109.930	112.682	115.436
(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)	20.369	29.809	53.257	56.009	58.763
(d) Total Balances, Reserves and working capital	28.548	17.788	22.814	24.984	28.354
(e) = (d) – (c) Available to invest (+)/ additional amount to borrow (-)	8.179	(12.021)	(30.443)	(31.025)	(30.409)

6.7 The table above (line b) assumes that the current external loan portfolio is unchanged across the period. The potential for and approach to repaying or rescheduling existing loans is explained in Section 8 below.

6.8 Line e in the table above indicates that internal borrowing alone is insufficient to cover the Capital Financing Requirement: there is a potential need to borrow an additional £30.443m before 31 March 2019 if the allocations in the capital programme noted in paragraph 6.4 are fully called on. The need to borrow can be met either by long-term fixed rates loans (the Council qualifies for new borrowing at the ‘Certainty Rate’, 0.20% below the PWLB standard rate) or short-term borrowing (which is likely to be available at lower rates of interest than long-term loans), or a combination of the two. The cost to the General Fund of any new borrowing would be offset by income generated from the project (eg Lewes

Housing Investment Company would pay interest to the Council on all loans advanced to it).

6.9 It will be necessary to monitor the position closely as projections of the capital programme, use of reserves, capital receipts generated from the sale of assets and the level of working capital shown in the table above are not certain. The following section explains the approach to borrowing in more depth.

7. Borrowing Strategy

7.1 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 additional long-term borrowing requirement in respect of historic and planned capital expenditure is shown in the table in paragraph 6.6. As explained above, the increases in the CFR are largely the result of investment in commercial property and loans to LHIC and Aspirations Homes which will generate annual rental income streams from which the additional borrowing costs will be met.

7.2 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.

7.3 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. Officers will liaise closely with Arlingclose when deciding the duration or terms of any new borrowing.

7.4 Given the challenging revenue position facing the Council's General Fund, the 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 2018) available to the Council for 2-year and 5-year PWLB maturity loans are 1.4% and 1.69% respectively compared with 0.25% which can be earned on depositing funds with the Government for a month or more.

7.5 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 modestly.

7.6 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 required at long-term fixed rates in 2018/2019 with a view to keeping future interest costs low, even if this causes additional cost in the short-term. Alternatively, the Authority may arrange forward starting loans during 2018/2019, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period. Any decision to borrow will be confirmed with the Cabinet Member for Finance 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 any successor body)
- UK Local Authorities
- any institution approved for investments (see Section 11) below
- UK public and private sector pension funds (except East Sussex County Council Pension Fund)
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

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

7.9 The Council has previously raised the majority of its long-term borrowing from the PWLB but it will investigate other sources of finance, such as local authority loans and bank loans, which may be available at more favourable rates.

7.10 The Local Government Association established the UK Municipal Bonds Agency plc in 2014 as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for a number of reasons including the fact that there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from this source will therefore be the subject of a separate report to full Council.

8. Debt Rescheduling

8.1 At the time of preparing this Strategy, the Council's loan portfolio was as shown in the table overleaf. All of the PWLB loans listed below were taken out in March 2012 in order to finance the payment to the Government needed for the national transition to self-financing for local authority housing. The Barclays loan shown in the table above was taken out in April 2004 with a term of 50 years maturing in April 2054. This loan has now been fixed at an interest rate of 4.5%.

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

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

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

9.1 Local authorities are required to recharge interest expenditure and income attributable to the HRA in accordance with Determinations issued by the DCLG. The Determinations do not set out a methodology for calculating the interest rate to use in each instance. The Council is therefore required to adopt a policy that will set out how interest charges attributable to the HRA will be determined. The CIPFA Code recommends that authorities present this policy in their Strategy Statement.

9.2 The Council has adopted a ‘2 pool’ (General Fund and HRA) approach to accounting for long-term loans. All current loans were allocated to the HRA on the introduction of ‘self-financing’. Any new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/credited to the respective revenue account.

9.3 At the start of each year, an assessment will be made of the difference between the value of the HRA loans pool and the HRA’s underlying need to borrow (adjusted for HRA balance sheet resources available for investment). 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 (£17.8m projected at 31 March 2018 including working capital eg s106 Developer Contributions and Capital Receipts which will be used to fund the future Capital Programme). In simple terms, Reserves represent amounts of money which have been set aside for use in future years for specific purposes (eg to pay for the replacement of vehicles at the end of their useful life) and Balances are cash which is retained both to ensure that the Council is able to respond effectively if an unforeseen event arises (eg the failure of a major contractor) and also to act as a buffer against unpredicted cash flow movements.

10.2 Although the table at paragraph 6.6 indicates that Reserves and Balances will be fully used as an alternative to external long-term borrowing, this is dependent on the allocations in the capital programme being fully utilised and no additional external long-term borrowing being taken. It is reasonable to assume, therefore, that a residual amount will be retained cash in 2018/2019. 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 2017/2018 £16m was available for investment but the maximum amount invested at any point in the year was £31m. 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 Current DCLG Guidance on Local Government Investments in England requires authorities to set an Annual Investment Strategy. The speculative procedure of borrowing purely in order to invest is unlawful. However, taking on new external loans to reduce the level of internal borrowing is permissible, and, if this takes place, the Council will place importance on the flexibility of its loan portfolio as well as the liquidity of its investments.

11. Investment Strategy

11.1 The Council's general policy objective is to invest its surplus funds prudently, striking a balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

11.2 If the UK enters into a recession in 2018/2019, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

11.3 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.

11.4 Given the increasing risk and very low returns from short-term unsecured bank investments, the Council aims to diversify into more secure and/or higher yielding asset classes during 2018/2019. This is especially the case for funds that are identified as being available for longer-term investment. This diversification will represent a continuation of the strategy first implemented in 2016/2017.

11.5 The Council may invest its surplus funds with any of the counterparty types identified in Appendix C, subject to the cash limits (per counterparty) and the time limits shown. It is important to note that not all of the types of investment listed above will necessarily be used in 2018/2019, and some have not been used previously. Before any type of investment instrument is used for the first time, the advice of Arlingclose will be sought.

11.6 Investment limits are set 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. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

11.7 The Council and its advisors remain vigilant at all times, monitoring signs of credit or market distress that might adversely affect the Council.

11.8 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
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty

11.9 Where a rating agency announces that a rating is on review for possible downgrade (also known as 'rating watch negative') below the approved investment criteria, then only investments that can be withdrawn on the next working day will be made with that counterparty until the outcome of the review is announced. This approach will not apply to 'negative outlooks' which indicate a long-term direction of travel rather than an imminent change of rating.

11.10 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.

11.11 When deteriorating financial market conditions affect the credit worthiness of all organisations (as happened in 2008 and 2011), this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available for the investment of the Council's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

11.12 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'

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

11.14 Any investment not meeting the definition of a specified investment is classed as non-specified. 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'.

Limits on non-specified investments are shown below.

	Cash limit
Total long-term investments	£2m
Total investments rated below A-	£5m
Total investments (except pooled funds) with institutions domiciled in foreign countries rated below AA+	£2m
Total non-specified investments	£10m

11.15 The Council's revenue reserves available to cover investment losses are forecast to be £7m on 31st March 2018. The maximum that will be lent to any one organisation (other than the UK Government) will be £2m. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

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

11.16 The Deputy Chief Executive will undertake the most appropriate form of investments in keeping with the investment objectives, income and risk management requirements and Prudential Indicators. Confirmation that investments have been made in accordance with the Strategy will be reported to meetings of the Audit and Standards Committee and Cabinet. Investment returns will be benchmarked quarterly against the average published 7 day LIBID rate.

11.17 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.

11.18 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.

11.19 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 and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

12.3 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

13. Providing for Debt Repayment - 2018/19 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. At the time of writing this Statement it is unclear whether the DCLG will be issuing updated guidance for financial years 2018/2019 onwards, following a consultation exercise that closed at the end of December 2017. The Statement below is in accordance with the current guidance.

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 in 2018/2019 will be:

- *capital expenditure incurred before 1 April 2008:* MRP will be provided at an approximate reduction of 4% in the CFR
- *capital expenditure which is supported by recurring revenue grants or contributions:* there is no expectation that the Council will incur this type of expenditure in 2018/2019, but if so Option 1 will apply – MRP will be equal to the amount determined in accordance with the former regulations 28 and 29 of the Local Authorities Capital Finance and Accounting (England) Regulations 2003 as if they had not been revoked
- *capital expenditure incurred for development or asset realisation purposes:* where capital expenditure is incurred in respect of a project which is intended to unlock future capital receipts (eg the refurbishment of a building ahead of its sale, the acquisition of sites associated with the North Street Development) no MRP will be provided, the expectation being that the increase in CFR will subsequently be offset by use of the eventual receipts

- *capital expenditure on commercial investment property:* where capital expenditure is incurred on the acquisition, construction or improvement of land and buildings with the intention of generating a recurring income stream, no MRP will be provided. Any such projects will have been evaluated prior to commencement to ensure that it provides a positive annual long-term return after allowing for interest costs and notional repayment of principal
- *any other capital expenditure:* 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 Deputy Chief Executive will report on Treasury Management activity/performance as follows:

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 confirmation that Treasury transactions have complied with Strategy and benchmark performance information	As part of Quarterly Financial Performance reports.
Audit and Standards Committee	
Receives each of the above reports in advance of Cabinet (where publication timetable permits) 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 Deputy Chief Executive, 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.

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

16. Investment Consultants

16.1 The Council appointed Arlingclose as its Treasury Adviser in 2012 following an open procurement. The agreement with Arlingclose was for an initial four-year term expiring on 30 June 2016, with the Council having the option to extend for a further year.

16.2 The Council exercised the option to extend this agreement to the end of June 2017 and following discussion with Arlingclose has now opted to maintain the appointment for a further year. The appointment of an investment consultant from July 2018 onwards is expected to be made in conjunction with Eastbourne Borough Council given that a shared finance team (with treasury management responsibility) is being established.

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 ldcfinance@lewes-eastbourne.gov.uk.

Appendix A - Arlingclose's Economic and Interest Rate Forecast

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	**0.19**
Arlingclose Central Case	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**
Downside risk	-0.00	-0.00	-0.00	-0.00	-0.00	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	**-0.15**
3-month LIBID rate														
Upside risk	0.10	0.10	0.10	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	**0.22**
Arlingclose Central Case	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**
Downside risk	-0.10	-0.10	-0.15	-0.15	-0.15	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	**-0.20**
1-yr LIBID rate														
Upside risk	0.15	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	**0.27**
Arlingclose Central Case	**0.70**	**0.70**	**0.70**	**0.70**	**0.80**	**0.80**	**0.80**	**0.80**	**0.80**	**0.80**	**0.80**	**0.80**	**0.80**	**0.77**
Downside risk	-0.15	-0.20	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.15	-0.15	**-0.26**
5-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	**0.32**
Arlingclose Central Case	**0.75**	**0.75**	**0.80**	**0.80**	**0.80**	**0.85**	**0.90**	**0.90**	**0.95**	**0.95**	**1.00**	**1.05**	**1.10**	**0.89**
Downside risk	-0.20	-0.20	-0.25	-0.25	-0.25	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	**-0.33**
10-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	**0.32**
Arlingclose Central Case	**1.25**	**1.25**	**1.25**	**1.25**	**1.25**	**1.30**	**1.30**	**1.35**	**1.40**	**1.45**	**1.50**	**1.55**	**1.55**	**1.36**
Downside risk	-0.20	-0.25	-0.25	-0.25	-0.25	-0.30	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	**-0.33**
20-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	**0.32**
Arlingclose Central Case	**1.85**	**1.85**	**1.85**	**1.85**	**1.85**	**1.90**	**1.90**	**1.95**	**1.95**	**2.00**	**2.05**	**2.05**	**2.05**	**1.93**
Downside risk	-0.20	-0.30	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	**-0.38**
50-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	**0.32**
Arlingclose Central Case	**1.70**	**1.70**	**1.70**	**1.70**	**1.70**	**1.75**	**1.80**	**1.85**	**1.90**	**1.95**	**1.95**	**1.95**	**1.95**	**1.82**
Downside risk	-0.30	-0.30	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	**-0.39**

Underlying assumptions:

- In a 7-2 vote, the MPC increased Bank Rate in line with market expectations to 0.5%. Dovish accompanying rhetoric prompted investors to lower the expected future path for interest rates. The minutes re-emphasised that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.

- Further potential movement in Bank Rate is reliant on economic data and the likely outcome of the EU negotiations. Policymakers have downwardly assessed the supply capacity of the UK economy, suggesting inflationary growth is more likely. However, the MPC will be wary of raising rates much further amid low business and household confidence.

- The UK economy faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. While recent economic data has improved, it has done so from a low base: UK Q3 2017 GDP growth was 0.4%, after a 0.3% expansion in Q2.

- Household consumption growth, the driver of recent UK GDP growth, has softened following a contraction in real wages, despite both saving rates and consumer credit volumes indicating that some households continue to spend in the absence of wage growth. Policymakers have expressed concern about the continued expansion of consumer credit; any action taken will further dampen household spending.

- Some data has held up better than expected, with unemployment continuing to decline and house prices remaining relatively resilient. However, both of these factors can also be seen in a negative light, displaying the structural lack of investment in the UK economy post financial crisis. Weaker long term growth may prompt deterioration in the UK's fiscal position.

- The depreciation in sterling may assist the economy to rebalance away from spending. Export volumes will increase, helped by a stronger Eurozone economic expansion.

- Near-term global growth prospects have continued to improve and broaden, and expectations of inflation are subdued. Central banks are moving to reduce the level of monetary stimulus.

- Geo-political risks remains elevated and helps to anchor safe-haven flows into the UK government bond (gilt) market.

Forecast:

- The MPC has increased Bank Rate, largely to meet expectations they themselves created. Future expectations for higher short term interest rates are subdued. On-going decisions remain data dependant and negotiations on exiting the EU cast a shadow over monetary policy decisions.

- Our central case for Bank Rate is 0.5% over the medium term. The risks to the forecast are broadly balanced on both sides.

- The Arlingclose central case is for gilt yields to remain broadly stable across the medium term. Upward movement will be limited, although the UK government's seemingly deteriorating fiscal stance is an upside risk.

Appendix B – Prudential Indicators 2018/2019 to 2020/2021

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 Deputy Chief Executive reports that the Council has had no difficulty meeting this requirement in 2017/2018, 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 2018/2019.

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	2017/18 Original £m	2017/18 Revised £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m
1a	Non-HRA	8.875	16.243	26.913	7.335	5.968
1b	HRA	5.681	10.181	5.494	5.180	5.180
	Total	**14.556**	**26.424**	**32.407**	**12.515**	**11.148**

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	2017/18 Original %	2017/18 Revised %	2018/19 Estimate %	2019/20 Estimate %	2020/21 Estimate %
2a	Non-HRA	1.62	1.47	1.65	1.68	1.65
2b	HRA	15.82	15.82	18.08	18.08	18.08

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	2017/18 Original £m	2017/18 Revised £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m
3a	Non-HRA	18.848	19.556	43.951	47.649	51.349
3b	HRA	65.168	66.926	65.979	65.033	64.087
	Total CFR	**84.016**	**86.482**	**109.930**	**112.682**	**115.436**

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

Capital Financing Requirement	2017/18 Original £m	2017/18 Revised £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m
Balance B/F	79.580	77.042	86.482	109.930	112.682
Capital expenditure financed from borrowing	5.573	10.755	24.899	4.200	4.200
Revenue provision for Debt Redemption.	-1.137	-1.315	-1.451	-1.448	-1.446
Balance C/F	**84.016**	**86.482**	**109.930**	**112.682**	**115.436**

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 31/03/2018	£m
4a	Borrowing	56.673
4b	Other Long-term Liabilities	0.080
4c	**Total**	**56.753**

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

This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax and Housing Rent levels. The incremental impact is 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	2017/18 Original £	2017/18 Revised £	2018/19 Estimate £	2019/20 Estimate £	2020/21 Estimate £
5a	Increase in Band D Council Tax	79.35	151.02	47.96	63.95	27.08
5b	Increase in Average Weekly Housing Rents	0.85	2.60	0.82	0.78	0.79

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). The increases indicated below reflect the increases in CFR.

No.	Authorised Limit for External Debt	2017/18 Original £m	2017/18 Revised £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m
6a	Borrowing	85.00	88.00	111.50	114.00	117.00
6b	Other Long-term Liabilities	0.50	0.50	0.50	0.50	0.50
6c	**Total**	**85.50**	**88.50**	**112.00**	**114.50**	**117.50**

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 Deputy Chief Executive 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	2017/18 Original £m	2017/18 Revised £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m
7a	Borrowing	79.50	83.00	106.50	109.00	112.00
7b	Other Long-term Liabilities	0.50	0.50	0.50	0.50	0.50
7c	**Total**	**80.00**	**83.50**	**107.00**	**109.50**	**112.50**

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.		2017/18 Original £m	2017/18 Revised £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m
9	**Upper Limit for Fixed Interest Rate Exposure**	85.5	86.5	110.0	112.5	115.5
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	2017/18 Original %	2017/18 Revised %	2018/19 Estimate %	2018/19 Estimate %	2018/19 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	2017/18 Original £m	2017/18 Revised £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m
13a	HRA CFR	65.168	66.926	65.979	65.033	64.087
13b	HRA Debt Cap	75.248	75.248	75.248	75.248	75.248
	Difference	**10.080**	**8.322**	**9.269**	**10.215**	**11.161**

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
A-	£2m 6 months	£2m 13 months	£2m 5 years	£2m 13 months	£2m 5 years
Pooled funds	£3m per fund				

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. See below for arrangements relating to operational bank accounts.

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 the likelihood of receiving government support if needed.

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

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

Operational bank accounts: In the event that a bank that the Council uses for its operational activity is downgraded, the Council may continue to incur operational exposures (eg through current accounts, collection accounts and merchant acquiring services) with it, provided that its credit rating is no lower than BBB- and it has assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £1 million per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

Glossary of Treasury Management Terms

Affordable Borrowing Limit	Each local authority is required by statute to determine and keep under review how much money it can afford to borrow. The Prudential Code (see below) sets out how affordability is to be measured.
Bank Rate	The main interest rate in the economy, set by the Bank Of England, upon which others rates are based.
Basis Point	A convenient way of measuring an interest rate (or its movement). It represents 1/100th of a percentage point, ie 100 basis points make up 1%, and 250 basis points are 2.5%. It is easier to talk about 30 basis points than "point three of one per cent".
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 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.
Certificate of Deposit	A short-term marketable financial instrument typically issued for periods of less than six months by banks and building societies. Interest can be at a fixed or variable rate.
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. CIPFA has responsibility for setting accounting standards for local government.
Counterparty	Institution with which the Council may make 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. 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.
Internal Borrowing	The temporary use of surplus cash which would otherwise be invested, as an alternative to borrowing from the PWLB or a bank in order to meet the cost of capital expenditure.
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:	**9.5**		
Report Title:	**Lewes District Community Safety Partnership Annual Report**		
Report To:	**Cabinet**	**Date:**	**5 February 2018**
Cabinet Member:	**Cabinet Member for Customers and Partners**		
Ward(s) Affected:	**All**		
Report By:	**Director of Regeneration and Planning**		

Contact Officer(s)-

Name(s): **Harry Williams**
Post Title(s): **Policy & Engagement Coordinator**
E-mail(s): **Harry.williams@lewes-eastbourne.gov.uk**
Tel No(s): **01323 415432**

Purpose of Report:

To enable Cabinet to note the current performance of the Lewes District Community Safety Partnership (LDCSP) and seek Cabinet's endorsement of the proposed Community Safety Plan for 2018/19 and the formal merger of the Eastbourne and Lewes District Community Safety Partnerships, subject to consultation with Partners and approval from the Police and Crime Commissioner.

Officers Recommendation(s):

1 That Cabinet note the performance of the Lewes District Community Safety Partnership during 2016/17.

2 To endorse the Community Safety Plan for 2018/19, set out at Appendix A and recommend to Full Council for approval.

3 To note the completion of the Eastbourne and Lewes District Community Safety Partnership 'Soft Merger' and endorse the full merger of the two Partnerships.

4 That Cabinet note the points raised by the Scrutiny Committee as set out in the attached minute of meeting 9 November 2017 in Appendix B.

Reasons for Recommendations

5. For Cabinet to endorse the Community Safety Plan for 2018/19 and merger of the Eastbourne and Lewes District Community Safety Partnership.

Information

6.0 Community Safety Partnerships

6.1 Community Safety Partnerships (CSP) were established by the Crime and Disorder Act 1998. They are formed from a number of responsible authorities, such as the police, fire and rescue service and local authorities.

6.2 CSPs have a statutory duty to reduce crime and disorder, substance misuse and re-offending in their local authority area. Lewes District Council has a key role in coordinating partners of the LDCSP and contributing towards the delivery of local community safety priorities.

6.3 The LDCSP works in partnership with the County CSP (namely the East Sussex Safer Communities Partnership) to address pan-county issues such as offender management and domestic abuse.

7.0 Lewes District Community Safety Plan & Priorities

7.1 CSPs have a statutory duty to set out a partnership plan and monitor progress. The 2018/19 Community Safety Plan has been developed to fulfil this duty. It has been developed in consultation with key partners including Sussex Police and other members of the LDCSP at a priority setting workshop held 5th October 2017.

7.2 A copy of the Draft 2018/19 Community Safety Plan is set out at Appendix A. It uses a standard countywide format, with a focus on what can realistically be achieved within current resource constraints. The priorities of the Police and Crime Commissioner (PCC), Sussex Police and East Sussex Safer Communities Partnership have been taken into account in developing this plan, as well key local issues.

7.3 The plan was approved by the Eastbourne and Lewes District Community Safety Partnership Strategy Group on 15 November 2017, subject to Cabinet endorsement and approval from Full Council.

7.4 Cabinet is asked to endorse the Community Safety Plan for 2018/19 and recommend to Full Council for approval.

8.0 Performance

8.1 Looking back to 2009/10, 4701 crimes were recorded in the Lewes District within that year compared with 3638 crimes in 2013/14 - a reduction of 22.6%.

8.2 By the end of 2016/17 4871 crimes were recorded. It should be noted that:

(i) strict adherence to Home Office Crime Recording Procedures by Sussex Police and

(ii) the PCC-led initiative to increase crime reporting in a number of categories including, domestic abuse, hate crime and sexual offences

contributed to a notable increase in police recorded crime. Moreover, the Office of National Statistics (ONS) identified a national rise of 13% in police recorded crime in the year ending June 2017.

8.3 Whilst it is difficult to identify why there has been an increase in police recorded crime, Home Office data demonstrates that Lewes District compares favourably against its Most Similar Group (see Appendix C for grouping), ending 2nd lowest in overall crime in the year ending March 2017.

9.0 Progress in Priority Areas

9.1 **Locality Based Responses:** Actions agreed and carried out by the local Lewes District Joint Action Group have made a positive contribution to Community Safety in the district.

9.2 Officers of Lewes District Council have been working closely with Sussex Police to address anti-social behaviour issues in Peacehaven and Lewes Town. Work has also been carried out to identify and address an emerging concern around the Street Community in Lewes, leading to the formulation of the Eastbourne and Lewes Street Community Partnership.

9.3 Other achievements in priority areas include:

- continuing to develop the Lewes District Road Safety Action Group to reduce the number of killed or seriously injured on the district's roads
- introducing Public Spaces Protection Orders (PSPO) to replace existing control orders in Lewes District, aimed at addressing alcohol and dog related anti-social behaviour
- installing 'no cold-calling' signs in East Saltdean to help prevent scams and rogue trading
- increasing the membership of 'Paws on Watch' with 77 active members working to improve community safety in their areas by reporting unusual or suspicious activity to Sussex Police
- raising awareness of Child Sexual Exploitation in children and practitioners by supporting the Chelsea's Choice production.

10.0 Prevent

10.1 The Counter-Terrorism and Security Act 2015, places a duty on all specified authorities (LDC is such an authority) in the exercise of their functions to have due regard to "prevent" people from being drawn into terrorism. Over recent months we have seen the national threat level rise to "critical" but this has been quickly reduced back to "severe" as it is likely that the risk of individuals being radicalised, usually through the internet, will be with us for some time.

10.2 Although East Sussex is a low risk area, Prevent forms a standing Agenda item for the Eastbourne and Lewes District Community Safety Partnership

Strategy Group and LDC is an active member of the East Sussex Prevent Board. The legal duty placed on LDC has led to the development of a separate joint LDC and EBC Prevent Duty Action Plan and activity in this area has so far involved training for front line staff, incorporating Prevent into safeguarding mechanisms and improving online safety when using LDC owned equipment.

10.3 The Home Office is launching a national pilot named Dovetail to test local authorities' capability on taking overall responsibility for Prevent from the police. It is intended that this will position Prevent activity closer to local communities and link more effectively with Safeguarding and other partnership activity.

10.4 Whilst it is not likely that we shall see any changes until summer 2018, a 'light touch' review by the end of 2017 has been proposed by the East Sussex Prevent Board and this includes reviewing the levels of awareness and training within other agencies, such as LDC.

11.0 Liaison with the Police and Crime Police and Crime Commissioner

11.1 The Cabinet member for Customers and Partners, Councillor Nicholson is Lewes District's representative on the Police and Crime Panel (PCP) which has the power to scrutinise the PCC and, in particular, her 'policing plan' and 'budget'. PCCs do not directly control local CSPs but directly impact LDCSP effectiveness by control of budget allocation and their responsibility for monitoring CSP effectiveness.

11.2 During this performance year, the PCC has launched a review of CSPs which focuses on accountability and funding arrangements. The objective of the review is to assess how community safety funding can be most appropriately apportioned to support the Police and Crime Plan. Currently CSPs are awarded an annual grant by the PCC, broadly based on population density and crime formula. LDCSP has received £21.9k per annum from the PCC over the last five years.

11.3 The Office of the Police and Crime Commissioner has indicated that the results of the review will be announced by the end of performance year 2017/18. Whilst it is likely that the outcome will have an impact on the CSPs ability to deliver local community safety priorities, it is understood that CSPs will not see any significant changes until 2019/20.

12.0 Proposed Eastbourne and Lewes District Community Safety Partnership

12.1 In late 2015 the Police and Crime Commissioner for Sussex recommended that it would be appropriate for individual District and Borough Community Safety Partnerships to investigate merging options to reflect the new policing district boundaries and make efficiency savings.

12.2 As a result of deliberations within the existing Eastbourne, Lewes and Wealden CSPs, it was agreed that we should work towards a new Strategy Group encompassing all three districts whilst maintaining and enhancing the individual Joint Action Groups. Work began and a 'soft merger' year was completed between 1st April 2016 and March 2017.

12.3 In February 2017 Safer Wealden Partnership decided to withdraw from the shared Strategy Group. Following this, the Chairs of the Eastbourne and Lewes District CSPs agreed to continue with the 'soft merger' with a view to formally combining the two Partnerships by the end of performance year 2017/18, subject to a Business Case and approval of the Police and Crime Commissioner.

12.4 The main benefits identified during the soft merger period include:

- Efficiency savings gained through the reduction of membership and meeting frequency, totalling 126 hours of members' time saved.
- Enhanced Joint Action Groups having a role in identifying and delivering local priorities
- The merged Partnership having more influence regionally and with the PCC
- An opportunity to share potential risks and benefits in light of the PCC's review of CSP funding arrangements by jointly funding projects and services that meet shared priorities.

12.5 In line with Local Government Association (LGA) guidance, consultation with relevant authorities will now be undertaken to gain consent to a formal merger of the two CSPs. Following final approval from the Strategy Group, an application will then be submitted to the PCC to approve the merger. Officers are aiming to complete the process of the merger by end of performance year 2017/18 with the new CSP operating from April 2018/19.

12.6 Cabinet is asked to note the completion of the Eastbourne and Lewes District Community Safety Partnership 'Soft Merger' and endorse the full merger of the two Partnerships.

13.0 Staffing

13.1 There are no additional staffing implications arising from this report.

14.0 Financial Appraisal

14.1 Finance have made the following comments:

14.2 There are no direct financial implications for the Council arising from the recommendations set out in this report.

15.0 Legal Implications

15.1 The Legal Services Department have made the following comments:

15.2 Relevant legislation is cited in the appropriate sections of this report.

15.3 Lawyer consulted 13.10.17. Legal ref: 005971-LDC-OD

16.0 Equality Screening

16.1 The merger of the two Community Safety Partnerships was subject to its own Equality Analysis which was completed and signed off by the partnership at its first meeting in July 2016(1).

16.2 An Equality and Fairness Analysis has been carried out on the proposed Community Safety Plan 2018/19(2).

Background Papers

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

(1) Equality Analysis of the Merger of the Eastbourne and Lewes District Community Safety partnership

(2) Equality and Fairness Analysis of the Lewes District Community Safety Plan 2018/19

Appendices

Appendix A – Draft Lewes District Community Safety Plan 2018/19

Appendix B – Minute extract from the Scrutiny Committee meeting on 9 November 2017

Appendix C – iQuanta Most Similar Group (MSG) grouping for Lewes District

Appendix A

Community Safety Partnership Plan 2018 – 2019

Reducing crime and keeping people safe, prioritising those most vulnerable in our community.

Introduction and Background

Lewes District extends inland from the Channel coast over the South Downs and into the Sussex Weald covering 292 square kilometres. Over one third of the area forms part of the Sussex Downs Area of Outstanding Natural Beauty and around half is proposed to be included in the South Downs National Park.

Most of the District's 97,500 population live in the four main urban areas (Seaford, Newhaven, Peacehaven & Telscombe and Lewes). Around 14%live in the many villages, hamlets or isolated settlements. There are just over42,000 households in the District, 31% are single person households and 24% are households with children. Around 88% of the housing stock is privately owned.

Lewes Community Safety Partnership Priorities for 2018 to 2019

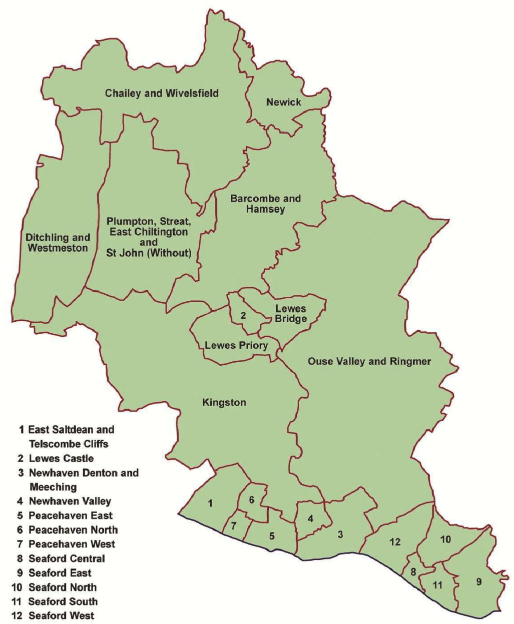
The Lewes Community Safety Partnership has selected the following issues as their priorities for the year ahead, based upon crime data and importance placed on them by the public:

1. Anti-Social Behaviour

2. Reduce the number of people Killed or Seriously Injured on Lewes District's Roads

3. Proactively Respond to Emerging Threats and Priorities Based on Threat, Risk and Harm

4. Contributing to the Work of Agencies and Partnerships that have a Leading Role in Working with Victims and Offenders



Countywide Priorities

The Lewes Community Safety Partnership will work with the East Sussex Safer Communities Partnership to take forward their 2017-2020 priorities, which are:

1. **Serious Organised Crime: Vulnerable victims of fraud and rogue trading associated with serious organised crime** – identify vulnerable adults at risk of fraud and rogue trading and develop targeted preventative support.

2. **Serious Organised Crime: Cybercrime** - begin to explore cybercrime with a focus on cyber bullying and online safety

3. **Serious Organised Crime: Vulnerable young people being exploited and recruited by organised crime groups** – explore further opportunities for partners to engage in early preventative work in relation to County Lines, organised crime and the exploitation of young people.

4. **Serious Organised Crime: Modern Slavery** – gain a better understanding of the risk of modern slavery.

Appendix A

Policing and Crime Objectives of the Sussex Police and Crime Commissioner (Police and Crime Plan 2017 – 2021)

The Police and Crime Commissioner for Sussex has set four key strategic objectives which will also guide the Lewes Community Safety Partnership

1. Strengthen local policing

- Ensure local policing services are accessible;
- Provide effective specialist capabilities to support local policing;
- Maintain engagement in the delivery of local policing services to improve public confidence.

2. Work with local communities and partners to keep Sussex safe

- Encourage and support local communities to prevent crime and disorder;
- Work with partners to reduce offending and reoffending;
- Catch criminal and prevent serious and organised crime and terrorism.

3. Protect our vulnerable and help victims cope and recover from crime and abuse

- Commission high-quality services which support victims;
- Priorities access to services for vulnerable victims;
- Enhance our understanding and meet the needs of victims in Sussex.

4. Improve access to justice for victims and witnesses

- Ensure victims and witnesses have the most positive experience of the criminal justice system;
- Support vulnerable victims and witnesses;
- Maximise the use of technology to improve access to justice for all.

Sussex Police & Crime Commissioner

Appendix A

Delivery of the Lewes Community Safety Partnership Priorities

The Joint Action Group is responsible for delivering the priorities listed on page 2 of this document. Each priority has been broken down into a number of objectives, as listed on the following pages.

Priority 1 – Anti-Social Behaviour

Anti-social behaviour (ASB) is defined in the Crime and Disorder Act (1998) as acting: 'in a manner that caused or was likely to cause harassment, alarm or distress to one or more persons not of the same household as the perpetrator.'

Partners of the Lewes District Community Safety Partnership carry out on-going work to address anti-social behaviour in all its forms, including: dog fouling, fly-tipping, littering, nuisance neighbours, street drinking and careless or inconsiderate driving.

However, Anti-social behaviour is a key priority for residents in Lewes district and the Lewes District Community Safety Partnership has a leading role in addressing the impact that it has on our residents, businesses and visitors. It recognises that there are areas where we can work together to find long lasting solutions to more complex anti-social behaviour.

Priority:	**Anti-Social Behaviour**
Lead:	Sussex Police and Lewes District Council
Objectives:	
Engage with and support Town and Parish Councils in responding to geographically based anti-social behaviour through the Joint Action Group, based on Threat, Risk and Harm.	
Support the re-development of the Lewes District Anti-Social Behaviour Risk Assessment Conference and Problem Solving Group to coordinate multi-agency responses to cases of anti-social behaviour.	
Increase reporting of incidents of Personal ASB to encourage early intervention, utilising powers under the Anti-Social Behaviour, Crime and Policing Act 2014.	
Grant funding organisations that work with individuals, families and communities to reduce anti-social behaviour, focusing on youth related anti-social behaviour.	

Performance Measure:

- **Increase In reports of Personal Incidents of Anti-Social Behaviour in performance year 2018/19 compared to 2017/18**

Priority 2 – Reduce the number of people Killed or Seriously Injured on Lewes District's Roads

Road Safety is a key concern of residents in Lewes district.

The Lewes District Community Safety Partnership recognises that it has a leading role in making the district's roads safer and that it needs to work closely with a range of different communities and groups to achieve its goal.

Secondly, it needs to reflect national and regional development and work closely with its neighbours in addressing this cross-county issue.

Priority:	**Reduce the number of people Killed or Seriously Injured on Lewes District's Roads**
Lead:	East Sussex Fire and Rescue Service
Objectives:	
Identify Killed or Seriously Injured hotspots and implement initiatives to reduce incidents through the Joint Action Group	
Work with and support Town and Parish Councils and Community Groups to improve road safety across the district	
Work with the Wealden Road Safety Action Group to incorporate best practice and deliver behaviour change initiatives	

Performance Measure:

- **Reduction the Number of Killed or Seriously Injured on Lewes District Roads in performance year 2018/19 compared to 2017/18**

Priority 3 – Proactively Respond to Emerging Threats and Priorities Based on Threat, Risk and Harm

The nature of crime continues to change and this presents a number of challenges to the Lewes District Community Safety Partnership.

There is a need to be able to support out most vulnerable and react to and address the concerns of the community, not only dealing with crime and anti-social behaviour but managing the perception of it.

Priority:	**Proactively Respond to Emerging Threats and Priorities Based on Threat, Risk and Harm**
Lead:	All
Objectives:	
Highlight emerging threats and priorities and deliver a multi-agency response through the Joint Action Group	
Review National policy and strategy and carry out research to identify areas that may have a future impact on the partnership and the communities it serves	
Develop the membership of the Joint Action Group to ensure it is best equipped to deal with emerging threats and priorities	
Proactively engage with the communities of Lewes district to address and identify local priorities and concerns	

Priority 4 – Contributing to the Work of Agencies and Partnerships that have a Leading Role in Working with Victims and Offenders

There are a number of agencies across East Sussex that provide a broad range of support services to victims and offenders, across a number of different crime types.

Where the Lewes District Community Safety Partnership does not have a leading role in delivering these services, it can play a vital role in supporting its Members and other agencies and partnerships in raising awareness of these services.

Priority:	**Contributing to the Work of Agencies and Partnerships that have a Leading Role in Working with Victims and Offenders**
Lead:	All
Objectives:	
To increase awareness of the services available to victims and offenders through engagement events	
To provide training to frontline staff to increase awareness, encourage safeguarding and the reporting of offences	
Communicate with residents and businesses through channels such as social media and e-bulletins to promote the community safety message and change and challenge perceptions of crime and anti-social behaviour in the district.	

Performance Measures:

- **Increase in the number of Domestic Abuse Crimes reported to the police in performance year 2018/19 compared to 2017/18**
- **Reduction in the number of reports of Arson reported to the police in performance year 2018/19 compared to 2017/18**
- **Increase in the number of Hate Crimes reported to the police in performance year 2018/19 compared to 2017/18**

Appendix B

Scrutiny Committee recommendations for consideration by Cabinet at the Meeting of the Cabinet on Monday, 5 February 2018

Scrutiny Committee – 9 November 2017

41 Annual Lewes District Community Safety Partnership Report

42 The Committee considered Report No 160/17, which:

- Enabled the Committee to scrutinise the current performance of the Lewes District Community Safety Partnership (LDCSP)
- Outlined future issues that may impact crime and anti-social behaviour (ASB) performance
- Enabled the Committee to scrutinise the proposed Community Safety Plan for 2018/19
- Enabled the Committee to endorse the formal merger of the Eastbourne and Lewes District Community Safety Partnership, subject to consultation with partners and approval from the Police and Crime Commissioner

43 Members' discussion included:

- Whether the reduction in visible Police Community Support Officers had an impact on Lewes' crime statistics.

- A request for clarification regarding the £21,900 per annum funding which Lewes District Community Safety Partnership had received from the Police and Crime Commissioner over the last five years, as Members recalled a 'reserve' of money which was available to various schemes throughout the year.

- A request for whom to contact with regard to reporting various issues in the community, such as; finding needles, rough sleepers and the reporting of general anti-social behaviour.

44 Officers responded that:

- Officers indicated that it would not be possible to say what effect the changes in neighbourhood policing would make on crime levels. Officers noted that the new Neighbourhood First teams to be set up in Lewes in the New Year would provide a visible presence that may assist with community reassurance, in addition to the role played by the police.

- Aside from the £21,900 per annum, Lewes District Council had a small reserve of funds which could be used for additional funding.

- Details of whom to contact with regard to the community safety issues would be circulated to all Councillors as requested after the meeting.

Resolved:

44.1 That the achievements and activities of the Lewes District Community Safety Partnership during 2016/2017, as well as the future risks/opportunities to performance, be noted.

44.2 That subject to the inclusion of reference to stakeholders, the Committee endorses, and recommends to Cabinet, the Community Safety Action Plan for 2018/2019.

44.3 That the completion of the Eastbourne and Lewes District Community Safety Partnership 'Soft Merger' and endorsed the full merger of the two Partnerships, be noted.

Reason:

45 For the Scrutiny Committee to fulfil its duties to review decisions and actions by responsible authorities in connection with the Council's crime and disorder function, as required under the Police and Justice Act 2006.

Most Similar Groups

iQuanta Most Similar Group (MSG) grouping for Lewes District

CSP
Avon & Somerset –North Somerset
Cheshire – Cheshire East
Cheshire – Cheshire West and Chester
Essex – Epping Forest
Kent – Ashford
Lancashire – South Ribble
Lancashire – Wyre
Leicestershire – Hinckley and Bosworth
Leicestershire – North West Leicestershire
Nottinghamshire – South Nottinghamshire
Sussex - Arun
Sussex – Lewes
Warwickshire – Rugby
West Mercia –North Worcestershire
West Mercia –South Worcester

Agenda Item No: 9.6

Report Title: Equality Annual Report

Report To: Cabinet **Date:** 5 February 2018

Cabinet Member: Councillor Elayne Merry

Ward(s) Affected: All

Report By: Nazeya Hussain, Director of Regeneration and Planning

Contact Officer(s)-

Name(s): Pat Taylor
Post Title(s): Strategy and Partnerships Lead – Thriving Communities
E-mail(s): Pat.taylor@lewes-eastbourne.gov.uk
Tel No(s): 01323 415909 ext 5909

Purpose of Report:

The report provides Members with an update on the council's activities in relation to equalities over the past year and seeks Cabinet's adoption of a new action plan for 2018. In addition, it proposes a revised set of Equality Objectives for 2018 to 2021, for the Scrutiny Committee to consider and which Cabinet are recommended to adopt.

Cabinet is recommended to:

1 Note progress against the 2017 Equality Action Plan as set out in Appendix B.

2 Approve the proposed Equality Objectives 2018 to 2021 as set out in paragraph 18.

3 Approve the Equality Action Plan for 2018 set out in Appendix D.

Reasons for Recommendations

1 The Equality Act 2010 seeks to protect people from discrimination on the basis of the protected characteristics of disability, race, sex, age, sexual orientation, religion or belief, gender reassignment, pregnancy and maternity, and marriage and civil partnership. The Act applies to employment rights, service provision, and the provision of goods and facilities.

2 The Act includes a general Public Sector Equality Duty, which requires public authorities to consider equality implications in all they do. This involves giving due regard to the need to eliminate discrimination and harassment, advance equality of opportunity, and foster good relations between groups of people with protected characteristics.

3 In addition, the Act imposes specific duties on public authorities for the purpose of enabling the better performance by the authority of the general duty referred to above. The specific duties require local authorities to set one or more Equality Objectives, publish information annually to show how they have met the provisions of the Act, and regularly review their objectives.

4 This report details progress against the equalities action plan during 2017 and summarises some of the equality related work undertaken. This enables Members to scrutinise the Council's work in this area, and ensures that the council fulfils its equality duties.

Progress against the 2017 Equalities Action Plan

5 The council's annual Equality Action Plan sets out specific equality-related work which the Council commits to undertaking to help meet its equality objectives. Appendix B details progress against the 2017 Equality Action Plan.

6 A significant new area of focus in the past year has been to ensure the equality implications of the Joint Transformation Programme were fully considered. This has been in relation to potential impact of the changes on both staff and customers.

7 In the past year we have also reviewed our Equality and Fairness Policy (now joint with EBC). This was approved by Cabinet at its meeting on 13th November 2017.

8 In line with legislation we have consulted on a refreshed set of Equality Objectives. Paras 18 -21 provide more information about this.

9 We have completed the second year of our campaign to help make the District more 'Dementia Friendly'. We have run a number of information sessions for staff and Councillors and funded 3VA to provide support to the new Lewes Dementia Action Alliance and Havens Dementia Action Alliance.

10 We continue to support and promote the White Ribbon Campaign to raise awareness of issues relating to violence against women and girls. We have had stands at a number of events, issued press releases and used social media to promote the national '16 days of action' campaign.

Equality Analysis of Council Services

11 To ensure the council is taking fair and equitable approaches in its policies, services and projects, we carry out a programme of Equality Analyses. For every key decision, such as new service development or policy proposal or at initiation of a new project initiation such an analysis is undertaken and documented. In particular this helps to ensure that Cabinet and Council members making key decisions have the considered equality implications.

12 In the past year the majority of our equality analyses have focused on service and policy changes brought about as a result of the Joint Transformation Programme. This has enabled us to be confident that the council is not inadvertently introducing any discriminatory practices through the changes it is making.

13 All the JTP projects that have started in 2017 have been screened for Equality and Fairness and a total of eleven full analyses have been completed to date. Actions arising from these have included:

- Adjustments to the website to improve accessibility
- Website user testing
- Ensuring alternative formats and languages are offered where appropriate
- Ensuring face to face service options continue to be available where there are access issues.

14 Cabinet have considered Equality Analyses alongside a number of reports they have received this year, including, for example, the introduction of Public Space Protection Orders, the new Housing Allocations Policy and a range of Planning Policies.

15 For the coming year, a new programme of Equality Analyses has been developed (Appendix A). This will cover the period from 2018/19 to 2020/21. This will enable us to ensure, over a three year period, that all our services and functions are fully considering the equalities implications of their policies and practices.

Equality Objectives

16 All Councils are required by legislation to have an adopted set of equality objectives which have been subject to consultation and which are regularly reviewed. The council's current objectives have been in place since 2012, with Cabinet having agreed annually since that time that they continued to remain relevant.

17 The current objectives are:

> **Theme:** inspire exceptional contribution – awareness and understanding. **Objective:** ensure all councillors and staff receive appropriate learning opportunities so that good practice in equality and diversity is embedded in the culture and work practices of the organisation.
>
> **Theme:** unswerving commitment to customer services – flexibility and responsiveness. **Objective:** ensure effective use of engagement, consultation, monitoring and equality analysis to develop services responsive to the diverse needs of our community.

Theme: fairness and accessibility. **Objective:** ensure offices and services are accessible to people with disabilities

18 With the Council now going through a period of significant change, it was agreed by Members that the objectives should be reviewed in 2017. A revised set of Equality Objectives has been drawn up for 2018 to 2021. These are similar to the previous Objectives but are more simply stated.

Objective 1: Ensure that equality and diversity is at the heart of everything we do and good practice is embedded in the Council's culture and work.

Objective 2: Build respect and understanding of each other across our communities by working with them to tackle prejudice, discrimination and hate crime.

Objective 3: Promote fairness and accessibility.

19 Public consultation on these proposed Equality Objectives took place between 7th November and 15th December 2017. A copy of the full consultation document is attached at Appendix C along a summary of the responses.

20 We received 51 responses to the consultation of which 43 were from individuals and 8 from organisations. The majority of those who responded agreed with the objectives overall. The percentage of those who agreed with specific actions detailed under each objective ranged from 79% to 92%.

21 An additional Objective was suggested during the consultation and it is proposed that this be added to the specific objectives listed under Objective 2 as follows:

- working to improve the Councils' understanding of the needs of different communities in the District through effective community profiling, consultation, liaison and involvement

This gives a fuller picture of the work which the Council undertakes to engage with different communities.

2018 Equality Action Plan

22 Subject to Members' approval of the new Equalities Objectives, an Action Plan for 2018 has been drawn up which will enable the Council to begin to deliver against those objectives. This is set out in Appendix D. Key areas of activity will include the delivery of training in equality and fairness to all new staff, training in equality analysis and on Prevent, the development of wider links with representatives of groups protected under the Equality Act, and activities to mark the centenary of the Representation of the People Act 1918 which first introduced women's suffrage.

Financial Appraisal

23 There are no direct financial implications arising from this report.

Legal implications

24 This report provides evidence of how the council is fulfilling its public sector equality duty under section 149(1) of the Equality Act 2010, and its specific equality duties under the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017.

Lawyer consulted 13.12.17. Legal ref:006982-JOINT-OD

Risk Management Implications

25 The following risks will arise if the recommendations set out at 13.1 below are not implemented:

- Failure to comply with statutory obligations under the Equality Act 2010 and
- Increased risk of incurring vicarious liability for acts of discrimination, harassment or victimisation in the event of litigation.

No new risks will arise if the recommendations are implemented

Equality screening

26 It is the function of this report to scrutinise the progress of the Council towards meeting its equality objectives in eliminating discrimination, promoting equality of opportunity and fostering good relations. A full Equality and Fairness Analysis has been completed covering the Council's Equality and Fairness Policy. For this reason it is not considered necessary to carry out a separate Equality Analysis of the report itself.

Background Papers

1 Equality Act 2010 Guidance

2 Joint Equality and Fairness Policy – Cabinet Report November 2017

3 Consultation Report Consultation on the councils' equality objectives

4 Equality and Fairness Analysis

Appendices

5 Appendix A – Equality and Fairness Review of Council Functions Programme 2018/19 to 2020/21

Appendix B – Equality and Fairness Action Plan 2016

Appendix C – Consultation on Equality and Fairness Objectives

Appendix D - Draft Equality and Fairness Action Plan 2017

Appendix A

Equality and Fairness review of Council Functions – 3 year programme 2018/19 to 2020/21

Strategy, Planning and Regeneration:	**2018/19**	**2019/20**	**2020/21**
Projects and Performance monitoring	Performance and Programmes Lead		
Communications	Customer Communications and Engagement Lead		
Consultation and engagement		Customer Communications and Engagement Lead	
Housing acquisition and development		Housing and Development	
Regeneration, business advice and support – 2019/20		Regeneration and Planning Policy	
Community Safety		Thriving Communities	
Community development and voluntary sector support services			Thriving Communities
Community grants	Thriving Communities		
Planning Policy development		Regeneration and Planning Policy	
Commercial Businesses and Property development		Group Head of Commercial Businesses	
Partnerships (in tandem with governance review of partnerships)		Thriving Communities	
Tourism and Enterprise:			
Tourist information services	Tourism and Enterprise		
Marketing	Tourism and Enterprise		
Sports and leisure facilities		Tourism and Enterprise	
Seafront services		Tourism and Enterprise	
Art, cultural and heritage services		Tourism and Enterprise	
Events			Tourism and Enterprise

Theatres			Tourism and Enterprise
Catering			Tourism and Enterprise
Homes First:			
Homelessness services	Housing Needs and Allocations		
Housing advice and options		Housing Needs and Allocations	
Housing Needs registration and rehousing processes			Housing Needs and Allocations
Housing Grants and Loans – DFGs, Small Works, Energy saving etc.	Tenancy Services		
Housing repairs, maintenance and estate management			Tenancy Services
Tenancy management, tenancy support, complaints incl. neighbour nuisance		Tenancy Services	
Tenant participation and involvement		Tenancy Services	
Customer First, Account Management, Casework and Specialist Advice:			
Customer contact – phone and reception services and facilities	Customer Advice		
Customer contact – on-line services, website, on-line processes and 'report it'		Customer Advice	
Business Rate setting and collection	Specialist Advice / Growth and Prosperity		
Household waste collections, recycling, bulky waste, trade waste	Specialist Advice / Quality Environment		
Management of parks and gardens		Specialist Advice / Quality Environment	
Health and Safety advice and inspections		Specialist Advice	
Cemeteries and crematoria, funeral services – including welfare funerals			Specialist Advice

Licensing and enforcement			Specialist Advice
Private housing inspection and HMO licensing		Specialist Advice	
Food hygiene and inspection		Specialist Advice	
Parks, gardens			Specialist Advice
Parking permits, fines and car parks			Specialist Advice
Neighbourhood First:			
Public Health – pests, filthy and verminous premises, pollution			Specialist Advice / Neighbourhood First
Neighbourhood response to complaints – e.g. graffiti, vandalism, etc.		Specialist Advice / Neighbourhood First	
Animal welfare			Specialist Advice / Neighbourhood First
Access Advice		Specialist Advice / Neighbourhood First	
Human Resources			
Recruitment	Human Resources		
Staff development		Human Resources	
Democratic Services			
Committees and Councillors	Democratic Services		
Electoral Services		Democratic Services	
Finance			
Rent setting and collection	Financial Services / Account Management		
Council Tax setting and collection		Financial Services / Account Management	
Budgeting	Financial Services		
Service charges and fees		Financial Services	
Legal Services			

Legal Enforcement and Advice	Legal Services		
Property and Facilities			
Property and Estate Management		Property and Facilities Shared Service	
Car Parking	Property and Facilities Shared Service		
Public Conveniences			Property and Facilities Shared Service

Appendix B – Update on Equality and Fairness Action Plan 2017

Ref	Action	Lead Officer	Resources	Target date	Year End
1.	Develop joint LDC/EBC approach to Equality Analysis for the Joint Transformation Project.	Performance Officer (Equality and Fairness)	Officer time	Jan 2017	Completed.
2.	Set up Equality and Fairness Forum for consideration of Equality and Fairness implications of JTP	Performance Officer (Equality and Fairness)	Officer time	Jan 2017	Completed.
3.	Set up Equality and Fairness External Stakeholder Group for JTP	Performance Officer (Equality and Fairness)	Officer time	Jan 2017	Completed.
4.	Provide training and guidance on Equality Duties and Equality Analysis for JTP Project Leads and Equality and Fairness Champions, Equality and Fairness Forum and Equality and Fairness External Stakeholder Group	Performance Officer (Equality and Fairness)	Officer time	Jan 2017	Completed.
5.	Provide Scrutiny Committee and Cabinet with Annual Equality and Fairness Report for 2017	Performance Officer (Equality and Fairness)	Officer time	Dec 2017	Completed.
6.	Offer 'Dementia Friends Information Sessions' to all staff and Councillors	Performance Officer (Equality and Fairness)	Officer time	March 2017	Completed.
7.	Develop Local Dementia Action Alliance for Havens and Lewes areas.	Performance Officer (Equality and Fairness)	Officer time	March 2017	Completed.
8.	Promote 'White Ribbon' Activities and implement action plan in partnership with EBC and Domestic Abuse	Community Safety Officer	Officer time	Dec 2017	Completed

Ref	Action	Lead Officer	Resources	Target date	Year End
	Working Group.				
9.	Highlight 2 ‘Celebrating Diversity’ themes to promote equality and diversity internally	Performance Officer (Equality and Fairness)	Officer time	Dec 2017	Approach adjusted due to focus on JTP activities
10.	Review and align LDC/EBC Equality Objectives and Equality Policies for JTP	Performance Officer (Equality and Fairness)	Officer time	Deferred until after Phase 1 of JTP (2017/18)	Completed
11.	Review and align LDC/EBC Safeguarding Policies for JTP	Performance Officer (Equality and Fairness)	Officer time	Deferred until after Phase 1 of JTP (2017/18)	Policies were aligned in 2016; updated policies to be presented to Cabinet in 2018
12.	Review and align LDC/EBC Equality Monitoring Policies for JTP	Performance Officer (Equality and Fairness)	Officer time	Deferred until after Phase 1 of JTP (2017/18)	Report to Cabinet in 2018
13.	Undertake an Equal Pay Review	Human Resources Manager	Officer time	Deferred until after Phase 1 of JTP (2017/18)	Equal Pay data will be published by 31st March 2018.
14.	Develop Equality and Fairness data reporting on the workforce profile in line best practice and open data transparency	Performance Officer (Equality and Fairness)	Officer time	Deferred until after Phase 1 of JTP (2017/18)	Equality data has been monitored and will be published early in 2018
15.	Provide training for staff on all new joint LDC/EBC Equality and Fairness related policies and practices.	Performance Officer (Equality and Fairness)	Officer time	Deferred until after Phase 1 of JTP (2017/18)	Training will take place when new staff are in post: by May 2018
16.	Undertake self-assessment against Equality Framework for Local Government	Performance Officer (Equality and	Officer time	Deferred until after completion	To be carried forward

Ref	Action	Lead Officer	Resources	Target date	Year End
		Fairness)		if JTP (2019/20)	

Appendix C – Equality objectives consultation questions and responses

How we consulted

- We carried out a public consultation from 7 November to 15 December 2017 in Lewes district.
- We published a consultation page on the council website which included information about the Equality Act 2010 and the council's equality duties under the act and the draft equality objectives.
- We provided an online survey for respondents to provide their feedback and made the offer of providing the consultation information available as paper copies and alternative formats and languages on request.
- We also invited responses in writing by email and in hard copy.
- Paper copies of the consultation information and survey were requested by Newick Parish Council.

How we publicised the consultation

- We issued a press release to the local media which resulted in coverage in the Sussex Express.
- We promoted the consultation through our social media channels including twitter and facebook throughout the duration of the consultation period.
- We sent an email alert to our consultation email subscriber mailing list at the beginning of the consultation and one week before it closed.
- We emailed a number of relevant community groups including; the Seaford and Newhaven Access Group, the Lewes Area Access Group, East Sussex Disability Organisation, Seahaven seniors, East Sussex Association of Blind and Partially Sighted People, Lewes Seniors and hearing issues, Tenants of Lewes District, Lewes District BME seniors group, 3VA, the Joint Transformation Equality and Fairness External Steering Group, the Lewes Equalities Working Group, Age Concern UK and the East Sussex Equality Involvement Network.
- We promoted the consultation to Lewes District Council members through the Members First internal newsletter.
- We encouraged staff to take part in the consultation by including an article about it in Council Briefing, the council's internal staff newsletter.

Consultation Document

Background

Lewes District Council has a responsibility and commitment to meet the Public Sector Equality Duty to:

- eliminate unlawful discrimination, harassment and victimisation and any other conduct prohibited by the Equality Act;
- advance equality of opportunity between people who share a protected characteristic and people who do not share it (for example by meeting specific

needs; minimising difficulties faced or encouraging participation in public life); and

- foster good relations between people who share a protected characteristic and people who do not share it.

Protected characteristics covered by the Equality Act 2010

- Age
- Disability
- Pregnancy and maternity
- Marriage and civil partnership
- Race
- Religion and belief
- Sex
- Gender reassignment
- Sexual orientation

Our equality objectives

Under the act, we are required to publish the council's equality objectives. These objectives set out how we will ensure we comply with our equality duties. Our current equality objectives were set in 2012. We have reviewed these and are now proposing a new set of objectives for both councils which bring the separate objectives together.

Proposed equality objectives of Lewes District Council

Objective 1: We will ensure that equality and diversity is at the heart of everything we do and that good practice is embedded in the councils' culture and work. We will do this by:

- ensuring fair recruitment and staff development practices are in place
- developing consultation and engagement opportunities and supporting local communities to have a greater say in the way we design our services and make decisions about the future of the Eastbourne and Lewes district
- Establishing an effective shared Equality and Fairness review process across both councils.
- Providing translation and interpreting services to meet local needs
- Ensuring all councillors and staff receive appropriate learning opportunities so that good practice in equality and diversity is embedded in the culture and work practices of the organisation. (keep)

***Objective 2*:** We will build respect and understanding across our communities by working with them to tackle prejudice, discrimination and hate crime. We will do this by:

- Promoting equality and fairness in our work with voluntary and community organisations through community networks and training in liaison with voluntary sector partners
- Engaging with representatives of protected groups in Eastbourne and Lewes district

- Working with partners in the Safer East Sussex Partnership, Local Safeguarding Children Board, Prevent Board, and Safeguarding Adults Board on counter terrorism, hate crime, modern slavery, human trafficking, domestic abuse and child exploitation.
- Delivering the councils' responsibilities for Prevent and Protect.

***Objective 3*:** We will promote fairness and accessibility. We will do this by:

- Developing and implementing an access policy covering the councils' buildings
- Ensuring relevant staff are trained and confident in responding to customer enquiries relating to access issues.
- Ensuring proposed developments, replacement and refurbishment of council properties are discussed in liaison with representatives of disabled people and their organisations.

Consultation responses

- We received 51 responses to the consultation. 43 of these were from individuals, 8 were from organisations.

- The majority of those who responded agreed with the objectives overall. The percentage of those who agreed with specific actions detailed under each objective ranged from 79% to 92%.

- Aggregating the responses to the actions proposed under Objective 1, 84% of respondents agreed, 10% disagreed, 5% said they did not know, and 1% did not answer some of the questions.

- Aggregating the responses to the actions proposed under Objective 2, 86% of respondents agreed, 10% disagreed, and 4% said they did not know.

- Aggregating the responses to the actions proposed under Objective 3, 88% of respondents agreed, 9% disagreed, 1% said they did not know and 2% did not respond.

Appendix D - Proposed Equality and Fairness Action Plan 2018

Ref	Action	Lead Officer	Resources	Target date
1.	Review and report on equality profile in relation to recruitment and development of staff	Human Resources Manager	Officer time	December 2018
2.	Publish Gender Pay Gap report	Human Resources Manager	Officer time	April 2018
3.	Establish joint Equality and Fairness Planning Group with EBC	Strategy and Partnerships Lead – Thriving Communities	Officer time	March 2018
4.	Establish joint Equality and Fairness Stakeholder Group with EBC	Strategy and Partnerships Lead – Thriving Communities	Officer time	March 2018
5.	Identify representatives of women's interests to join Equality and Fairness Stakeholder Group	Strategy and Partnerships Lead – Thriving Communities	Officer time	March 2018
6.	Continue supporting Sompriti to ensure effective engagement with BAME communities	Strategy and Partnerships Lead – Thriving Communities	Officer time	December 2018
7.	Identify approaches to engagement which encourage participation by young people, women, people living in rural areas, faith communities, BAME communities and LGBT people and increase the proportion of responses from these groups	Customer Communications and Engagement Lead	Officer time	December 2018
8.	Provide training and guidance on Equality Duties and Equality Analysis for Heads of Service, Managers and Team Leader, Project Managers and members of Planning Group and Stakeholder Group	Strategy and Partnerships Lead – Thriving Communities	Officer time	May 2018
9.	Arrange training on Access Issues to Neighbourhood First	Strategy and Partnerships Lead	Officer time	June 2018

Ref	Action	Lead Officer	Resources	Target date
	teams and ensure Neighbourhood Officers are able to respond confidently and effectively to customer enquiries relating to access issues	– Thriving Communities		
10.	Promote 'White Ribbon' Activities and implement action plan in partnership with EBC and Domestic Abuse Working Group.	Specialist Advisor – Community Safety	Officer time	December 2018
11.	Promote activities commemorating centenary of the Representation of the People's Act 1918	Customer Communications and Engagement Lead	Officer time	December 2018
12.	Review and align LDC/EBC Equality Monitoring Policies for JTP	Strategy and Partnerships Lead – Thriving Communities	Officer time	April 2018
13.	Work with voluntary sector partners to promote equality and fairness through training and network meetings	Strategy and Partnerships Lead – Thriving Communities	Officer time	December 2018
14.	Implement a 3-year programme of functional reviews following completion of Phase 2 JTP	Strategy and Partnerships Lead – Thriving Communities	Officer time	April 2018 to 2021
15.	Monitor use and quality of translation and interpreting services	Strategy and Partnerships Lead – Thriving Communities	Officer time	December 2018
16.	Undertake self-assessment against Equality Framework for Local Government	Strategy and Partnerships Lead – Thriving Communities	Officer time	Deferred until after completion if JTP (2019/20)

Agenda Item No:	**9.7**		
Report Title:	**Voluntary Sector Support**		
Report To:	**Cabinet**	**Date:**	**5 February 2018**
Cabinet Member:	**Cllr Tony Nicholson**		
Ward(s) Affected:	**All**		
Report By:	**Nazeya Hussain, Director of Regeneration and Planning**		
Contact Officer(s)-			

Name(s): **Pat Taylor**
Post Title(s): **Strategy and Partnerships Lead – Thriving Communities**
E-mail(s): **Pat.taylor@lewes-eastbourne.gov.uk**
Tel No(s): **01323 415909**

Purpose of Report:

1. The purpose of this report is to report on the performance of those voluntary organisations funded by the Council in 2017/18 and for Cabinet to agree the Council's policy on grants to voluntary organisations and the levels of grant funding for 2018/19.

Officers Recommendations:

2. To consider any recommendations arising from the Scrutiny Committee's consideration of the report on 18 January 2018.

3. To approve the proposed policy on Grant funding to voluntary organisations in the Lewes District as set out in paragraph 12.

4. To agree grant funding for 2018/19 as set out in the table at paragraph 39 and note the proposed funding for 2019 to 2022 to be offered subject to performance and the availability of funds to be confirmed annually.

5. To note the arrangements for grant agreements set out in paragraph 16 and agree the proposal that these be reviewed annually to ensure the Council receives best value for the grants awarded.

6. To agree that an additional sum of £8,135 from the Housing Revenue Account (HRA) be added to the annual payment to the Lewes District Citizens Advice Bureau for the provision of Specialist (Money and Benefits) Advice to Council tenants and that this form part of the Grant to that organisation in future years.

7. To agree the approach set out in paragraph 38 to allocation of the additional £30,000 for voluntary organisations to mitigate risks raised by the roll-out of Universal Credit.

Reasons for Recommendations

8. The Council may choose to give grants to voluntary organisations subject to delivery of agreed activities and outcomes. The Council funds a small number of strategic voluntary sector organisations which provide a range of essential services to our residents which address key Council priorities. The proposed policy set out in this document is designed to make explicit the reasons for funding these organisations and the terms on which these grants are offered.

Background

9. The Council recognises and highly values the significant contributions that the community and voluntary sector play in delivering services to our residents. Partnership working is a key priority for Lewes District, and the Council is committed to working with voluntary and community organisations through the giving of community grants. This helps support a thriving voluntary sector in Lewes District. In addition, the giving of funding to such groups can also provide a cost effective way of delivering the Council's objectives.

10. The Council awarded a total of £202,505 in grants to voluntary sector organisations in 2017/18, in line with previous years' grant awards, reflecting a long-standing commitment to support these groups.

11. For many years 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).

Proposed Grants Policy

12. The Council's approach to providing grants to voluntary organisations has remained similar over many years. In this report the opportunity is being taken to make that approach explicit within the following policy statement;

a) The policy is to offer grant funding to a small number of organisations which provide essential services to our residents, particularly those experiencing hardship or disadvantage, or which play a key role providing infrastructure services to enable and support a thriving community and voluntary sector in the District.

b) The Council only offers grants to organisations which are well embedded in the Lewes District and are able to deliver services which build on strong links with local communities.

c) Organisations funded must be fully inclusive, and in a position to deliver services across the whole geographical area.

d) Grants will only be given to organisations which have a need for grant funding; which have sound governance arrangements and financial management; which can demonstrate good value for money and a significant use of volunteers in the delivery of their services; and which have clear policies on safeguarding where appropriate and on equality and inclusion covering service users, volunteers and staff and encompassing, as a minimum, all those groups protected under the Equality Act 2010.

e) Given current constraints on all Council budgets, the Council will not make any allowance for inflation.

Grants

13. In February 2015, the Council agreed to award grants for a three year period to CAB, 3VA, AiRS and Sompriti. It is proposed that grant be awarded in 2018/19 to these same organisations and to Lewes District Churches Together Homelink to continue providing the service already funded through a housing grant.

14. It is proposed that grant be allocated for the following three years, 2019/20 to 2021/22 subject to compliance with the terms of a grant agreement, satisfactory delivery of the services supported by the grant and the availability of funds. This is in line with the agreement in 2015 to award three year funding, thereby providing financial certainty enabling these organisations to plan ahead and ensure consistent delivery of service. Having the security of a three year grant from the Council can also assist voluntary organisations in levering in further funding from other sources.

15. All grants will be subject to Grant Agreements covering the specific services funded and outcomes to be delivered. The grant agreement will continue to provide a mechanism for the Council to monitor the organisations' performance and delivery closely through written reporting and review meetings. The agreements specify the amount of funding, what activities the grant can be used for, minimum legal and service requirements, monitoring and evaluation processes. It should be noted, however, that all grant agreements will contain clauses enabling review, termination and/or renegotiation of terms should the need for the service change or to address any performance issues encountered.

16. It is proposed that Grant Agreements be reviewed annually to ensure best use is made of the grants budget.

Performance in 2016/17 and 2017/18

17. Regular quarterly monitoring meetings have been held with those organisations which receive larger grants (Lewes District CAB, 3VA and Sompriti) and annual meetings with those receiving smaller grants (AiRS).

18. In addition, at the request of the Scrutiny Committee, presentations were given to Members on 9 November 2017 by the four organisations receiving grants in

the current year. These presentations provided Members with information about the services provided by those organisations and some examples of particular achievements and successes over the past year.

<u>Lewes District CAB</u>

19. The CAB helps people resolve their legal, money and other problems by providing free, independent and confidential advice. LDC currently provides around 84% of their core funding with the Town Councils across the district providing the remaining 16%. The CAB is currently awaiting the outcome of discussions with the Town Councils about grant for 2018/19, but it is anticipated that the proportion of funding borne respectively by LDC and the Town Councils will be the same as in the current financial year.

20. The Council's commitment to the CAB is clearly demonstrated by comparing the proposed grant for 2018/19 with funding for similar advice services in the local area in 2017/18 as shown below:

Lewes District Council **proposed 2018/19**	Lewes District CAB	£175,340
Eastbourne Borough Council	Eastbourne CAB; BHT Housing Advice; Shinewater Shaftesbury Centre	£175,500
Wealden District Council	Wealden CAB	£150,000
Hastings Borough Council	Housing Advice and Representation Centre, BHT Housing Advice and CAB	£112,832*
Rother District Council	Rother Housing Advice and Representation Centre, and CAB	£101,160

21. In the past year the CAB has continued to provide advice services for a range of clients across the district. Most recent data indicates that the CAB is seeing around 4000 clients at the Bureau's various locations each year. The most recently quarterly figures showed that Benefits/ Tax Credits accounted for 42% of cases, Debt accounted for 13%, Housing accounted for 10%, Relationship / Family issues accounted for 8%, and Employment issues for 6%.

22. One of the key measures used to determine the success of the Bureau is the financial outcomes for clients (in terms of income gain, debts written off or repayments rescheduled) resulting from the help provided through CAB advice. This is expressed as an 'annualised value'. The total value for the second quarter of 2017/18 was £438,124, similar to levels achieved in previous quarters. When presenting to Members in November, the CAB stated that in 2016/17 they had been successful in securing £1,388,473 in benefits for their clients.

23. The Bureau is reaching clients from across the district with the largest numbers coming from Peacehaven (23%), Seaford, (22%), Newhaven (18%), and Lewes (16%).

24. In recognition of the geographical spread of demand on their service, together with the socio-economic make-up of the district the council has been working with the CAB to move their main office from Lewes to Newhaven. The council approved a capital investment of up to £175,000 in September 2016 to refurbish premises to help enable this. The refurbishment works have taken place during the latter part of 2017. The Bureau will also retain a presence in Lewes through use of shared space in Southover House reception for 3 days each week. At the time of writing the CAB is in the process of making those moves and a formal opening of the new premises in Newhaven is likely to take place in March 2018.

<u>3VA</u>

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

26. In the past year 3VA has continued to provide valuable up-to-date information to local groups through its weekly digital newsletter. In the first half of 2017/18 3VA supported thirty Lewes-based organisations with one to one help and advice as well as five county-wide groups. 3VA continued to support the local Dementia Action Alliances in Lewes and the Havens. Both Alliances are now meeting on a regular basis and 3VA will continue to support them in future years as part of their core service.

27. A significant development in the past year has been the successful establishment of two community networks, one covering Lewes and the Havens, the other covering Seaford. This work has been supported by funding from East Sussex County Council and closely linked with the health and social care programme, Better Together. The networks are proving invaluable allowing groups to share experience, information and resources and 3VA to develop a greater understanding the needs and aspirations of voluntary and community groups.

<u>AiRS</u>

28. AiRS is the Rural Community Council for Sussex. The organisation's purpose is to provide practical help and support to rural communities across both East and West Sussex enabling them to be vibrant, living and working places. The funding provided by the Council is specifically to support the organisation's work with village halls and community buildings in the Lewes district.

29. In the past year AiRS have continued to produce a monthly newsletter with information and advice which is sent to village hall management committees in the district. They have delivered training and provided one-to-one advice and assistance to individual village halls as needed. Ditchling, Ringmer, Barcombe

and Wivelsfield Village Halls have benefited from this assistance in the past year.

Sompriti

30. Sompriti supports black and minority ethnic (BME) communities and individuals across East Sussex. They work with individuals from a range of different backgrounds and heritage, organising community events, and providing bilingual support to residents in a variety of community languages.

31. In 2016/17 they supported twelve families to improve their mental wellbeing; supported Syrian refugee families to make connections with local services and communities; supported small BME business and trained fourteen local businesses in Food Hygiene; ran Tour of Lewes walks; and organised four local events attended by 125 local BME residents. They also recruited 22 volunteers to work for them.

32. The grant awarded to Sompriti has assisted the Council in fulfilling its duties under the Equality Act 2010, by improving access to Council services for BME communities and advancing equality of opportunity.

Lewes District Churches Together Homelink

33. LDC Housing has also granted Lewes District Churches Together Homelink £11,800 towards their work providing housing deposits and rent in advance to homeless households and those at risk of homelessness referred to them by the Council's housing needs officers. The grant will be supplemented by a grant of £15,600 from East Sussex County Council towards this work. This service is a key part of the Council's work to prevent and relieve homelessness. Officers refer those households who are not covered by the Council's own statutory duties for rehousing, such as those who do not have a priority need for rehousing under the terms of the Housing Act 1996. Under the terms of the grant agreement, this funding may only be used for essential costs, such as rent deposits.

34. Between January 2017 and end of September 2017, Homelink made loans totalling £103,723 for housing deposits and rent in advance to 81 households.

Funding for 2018/19 to 2021/22

35. It is proposed that core funding for CAB, 3VA, AiRS, Sompriti and Homelink be granted in 2018/19 at the same level as for 2017/18 with two exceptions.

36. Funds have previously been allocated to the CAB from HRA specifically for Specialist Money and Benefits Advice for LDC housing tenants who are experiencing rent or council tax arrears. This grant has contributed to 52 hours of Specialist Advice services for tenants and has helped those experiencing debt problems to help them manage their repayments and at the same time importantly helped to reduce the Council's court/eviction costs.

37. The Specialist Advice Services are provided by salaried, highly experienced and trained specialists, unlike other aspects of the service which are delivered mainly by volunteers. To ensure appropriate staff can be recruited and retained, and that service levels and quality can be sustained through the likely period of high demand (due to Universal Credit) it is proposed that funding from the HRA for Specialist Services is increased by around £4k for each specialist service.

38. At its meeting on 6th December, Council resolved to allocate £30,000 to award as grant to a voluntary organisation to help mitigate the impact of the rollout of Universal Credit Full Service scheduled to begin in September 2018. It is proposed that a specification for a service be drawn up and bids be invited from suitably qualified voluntary organisations to undertake this work.

2018/19 Funding Schedule

39. The funding proposed for 2018/19 is detailed in the below table. Funding for the subsequent years of the grant period will be brought to Cabinet for consideration in future years.

Org	£ funded (17/18)	Proposed funding £ (18/19)
CAB	Core Grant 140, 340 (HRA benefits advice) 13,400 (HRA money advice) 13,465 167,205	Core Grant 140, 340 (HRA benefits advice) 17,500 (HRA money advice) 17,500 175,340
3VA	28,000	28,000
AiRS	3,500	3,500
Sompriti	10,000	10,000
Homelink	11,800	11,800
To be allocated		30,000 One year only – to mitigate impact to Universal Credit full service. Bids to be invited from suitably qualified organisations

Financial Appraisal

40. The core elements of funding for 2018/19 to 2021/22 proposed in this report can be met from base budgets. Allowance for the increased funding from the

Housing Revenue Account will be included in the draft HRA budget for 2018/19, which is presented elsewhere on this Agenda.

Legal Implications

41. Since the allocation of council funds recommended at paragraphs 8 and 9 above constitutes public funding, regard must be had to EU rules on State Aid. The purpose of the State Aid regime is to prevent public authorities (including local government) from giving financial advantages to organisations in a way which could distort competition between Member States.

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

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

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

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

Lawyer consulted 04.01.18. Legal ref: 005822-LDC-OD

Risk Management Implications

42. If Cabinet agrees the recommendations in this report the following risks need to be addressed:

a) There is a risk that public funding does not deliver the outcomes expected. This risk will be mitigated by close monitoring of the organisations funded through quarterly monitoring reports and meetings. In the event of poor performance or non-compliance with the conditions of funding, the grant agreements allow for grant to be withheld.

43. A number of risks have been identified in the event that the recommendations in this report are not approved:

a) there would be a reduction in the level of services available to Lewes District residents arising from the lack of funding for provision of these. This would be particularly acute in the case of advice services which are experiencing high demand at present.

b) there would also be risks to the Council’s reputation if it fails to support key voluntary sector and BME communities in the district.

Equality and Fairness Analysis

44 An Equality and Fairness Analysis is has been carried out covering this report and is available from the report author.

Background Papers

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