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Cabinet
3 February 2016

EASTBOURNE
Borough Council
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Agenda **for meeting of the Cabinet to be held at 6.00 pm on Wednesday, 3 February 2016 in the Town Hall, Eastbourne**

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

The Cabinet meets in the Court Room of the Town Hall which is located on the ground floor. Entrance is via the main door or access ramp at the front of the Town Hall. Parking bays for blue badge holders are available in front of the Town Hall and in the car park at the rear of the Town Hall.

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Members of the Cabinet:

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

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

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

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

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

1 Minutes of the meeting held on 9 December 2015. (Pages 1 - 22)

2 Apologies for absence.

3 Declarations of interests.

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

4 Questions by members of the public.

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

5 Urgent items of business.

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

6 Right to address the meeting/order of business.

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

7 **Coastal Communities Fund (KD).** (Pages 23 - 28)

Report of Senior Head of Tourism and Enterprise.
Cabinet lead member: Councillor Margaret Bannister.

8 **General fund revenue budget 2016/17 and capital programme 2015/19 (BPF).** (Pages 29 - 52)

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

9 **Treasury management and prudential indicators 2016/17 (BPF).** (Pages 53 - 70)

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

10 **Housing revenue account (HRA) revenue budget and rent setting 2016/17 and HRA capital programme 2015/18 (BPF).** (Pages 71 - 82)

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

11 **Changes to housing strategy and housing revenue account (HRA) asset management strategy (KD).** (Pages 83 - 92)

Report of Senior Head of Community.
Cabinet lead member: Councillor Alan Shuttleworth.

(See item 14 below for confidential addendum to this report.)

12 **Exclusion of the public.**

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

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

13 **Confidential minutes of meeting held on 9 December 2015.** (Pages 93 - 94)

14 **Changes to housing strategy and housing revenue account (HRA) asset management strategy (KD)** (Pages 95 - 98)

Confidential addendum to report of Senior Head of Community at item 11 above. Cabinet lead member: Councillor Margaret Bannister.

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

15 **Community grants programme 2016/17 - small grants (KD).** (Pages 99 - 106)

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

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

16 **Council investments (KD).** (Pages 107 - 110)

Report of Senior Head of Community.
Cabinet lead member: Councillor Gill Mattock.

Exempt information reasons: 3 - information relating to the financial or business affairs of any particular person (including the authority holding that information) and 5 (information in respect of which a claim to legal professional privilege could be maintained in legal proceedings).

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

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

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

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

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

Members must declare the existence and nature of any interest.

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

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

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

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

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Cabinet

EASTBOURNE Borough Council

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Minutes of meeting held on Wednesday, 9 December 2015 at 6.00 pm

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

(An apology for absence was reported from Councillor David Tutt (chairman and leader of the council)**,**

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40 Minutes of the meeting held on 21 October 2015.

The minutes of the meeting held on 21 October 2015 were submitted and approved and the deputy chairman was authorised to sign them as a correct record.

41 Declarations of interests by members.

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

No declarations were made.

42 Corporate performance - quarter 2 2015/16 [KD].

42.1 Councillors Penny Di Cara and Tony Freebody addressed the cabinet. Councillor Di Cara queried the household waste recycling performance figures, noting that quarter 2 performance showed a drop as compared with quarter 1, even though still ahead of the 35% target, and asked for a breakdown of the figures and, in particular, the composting percentages. The senior head of community undertook to provide the information. Councillor Freebody highlighted the increase in the number of households in temporary accommodation, the rise in sickness absence, numbers of telephone calls and the number of calls answered at first point of contact. The senior head of community advised that increased homelessness was a feature shared with other councils in the south-east due to welfare and benefit changes, rising rents and other related factors. Regarding telephone call performance, the senior head referred to the on-going work implementing Future Model aimed at increasing the number of calls answered at first point and noted that revenues and benefits had now been brought back in-house with a consequent increase in the number of calls handled and also a reduction in call abandonment rate for this service from 10% to 1%. The senior head of corporate development and governance advised that the poor sickness rate performance was primarily due to a number of cases of long term illness, all of which were unconnected, and that investigations had indicated there was no cause for concern.

42.2 Cabinet considered the report of the chief finance officer and senior head of corporate development and governance reviewing the council's performance against corporate plan priority indicators and action targets; financial performance of general fund revenue expenditure, housing revenue account and capital programme and treasury management activities for the second quarter of 2015/16.

42.3 Appendix 1 gave detailed information on non-financial performance indicators and highlighted those giving cause for concern as well as the best performing indicators at paragraphs 2.9 and 2.10. In particular, the chairman highlighted a 20% increase in Bandstand patronage, completion of the new housing development at Coventry Court, and occupation of the first units at Pacific House at the Sovereign Harbour Innovation Park and the grant of planning permission for the Harbour's new community centre.

42.4 Councillor Bannister drew the cabinet's attention to the Tourism South East 'Beautiful South Awards'; with Airbourne winning gold in the 'Tourism Event of the Year' category and Eastbourne's tourist information centre winning silver as 'Visitor Information Provider of the Year'. Cabinet congratulated members of the teams responsible.

42.5 It was reported that the work on realigning the budgets for Future Model phase 2 was now complete and the department spilt was based on the current operating structure**.** The general fund performance at the end of September showed a small variance of £183,000 on net expenditure (a movement of £187,000 compared to the position reported at the end of the first quarter in June). Service expenditure (shown in appendix 2) had a favourable variance of £116,000 mainly as a result of salary savings pending recruitment to new FM structure (£69,000) and additional crematorium abatement income (£45,000). The contingency fund currently stood at £134,000 which was available to fund inflationary increases and any future unforeseen one off areas of expenditure during the year. The projected outturn showed a favourable variance of £165,000. This was within 1.1% of the net budget and was within an acceptable tolerance level, however continued management of the position would be maintained to ensure that this final outturn position was achieved. A transfer from the strategic change reserve of £75,000 was sought to meet the payment to iESE Limited for 2015/16.

42.6 Housing revenue account performance was currently above target by £107,000; mainly due to increase in rents from the number of void properties being at a lower level than budgeted for plus a quicker turnaround (£41,000), a reduction required for the provision for bad debts (£31,000) and the slow take up of the under occupation scheme (£36,000). Other small variances were carefully being monitored. The favourable variances above were reflected in a forecasted outturn of £98,000.

42.7 The detailed capital programme was shown in appendix 3. Actual expenditure was low compared to the budget, due to delays in the start dates of various major projects. Expenditure was expected to increase as schemes progressed however spending patterns would be reviewed at quarter 3 and re-profiled into the 2016/17 year where appropriate. The capital programme had been amended from that approved by cabinet in September to reflect new approved schemes.

42.8 Council tax collection was currently showing a £662,000 surplus; a variance of 1.21% of the total debit due for the year. This was due to a combination of factors including better performance against the collection allowance within the council tax base and a reduction in the council tax reduction scheme caseload.

42.9 The business rates deficit of £1,712,000 was as a result of a bigger than anticipated provision made in 2014/15 for outstanding appeals, giving rise to a higher than budgeted for balance carried forward as at 1 April 2015, together with the extra number of appeals received by the valuation office which had not been included in the 2014/15 figures. The total number of appeals outstanding as at 30 September 2015 was 248 with a total rateable value of £21.5m. The deficit represented 5% of the total debit for the year.

42.10 The detailed mid-year review report on treasury management had been submitted to the council's audit and governance committee on 2 December 2015 in compliance with CIPFA's Code of Practice for Treasury Management. A summary of the main points from the current economic background, interest rate forecasts, investment and borrowing performance was given in the report. Treasury management performance was on target and all activities were within the approved treasury and prudential limits.

42.11 Resolved (key decision): (1) That performance against national and local performance indicators and actions from the 2010/15 corporate plan (2014 refresh) be agreed.

(2) That the general fund, housing revenue account and collection fund financial performance for the quarter ended September 2015, as set out in sections 3, 4 and 6 of the report, be agreed.

(3) That the transfer from the strategic change reserve, as set out in paragraph 3.5 of the report, be agreed.

(4) That the capital programme, as set out in appendix 3 to the report, be agreed.

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

43 Corporate Plan 2016/20 (KD).

43.1 Cabinet considered the report of the senior head of corporate development and governance and senior corporate development officer. The corporate plan was a key strategic document that set out the council's ambitions for Eastbourne over a five year period. The plan was refreshed on an annual basis to update actions and targets and ensure that activities continued to reflect local priorities.

43.2 The council remained committed to supporting the delivery of its' 2026 partnership Vision for the town:

> *"By 2026, Eastbourne will be a premier seaside destination within an enhanced green setting. To meet everyone's needs, Eastbourne will be a safe, thriving, healthy and vibrant community with excellent housing, education and employment choices, actively responding to the effects of climate change."*

43.3 It was recommended that the new 2016/20 corporate plan continue with the same 4 priority themes as the current version – prosperous economy, quality environment, thriving communities and sustainable performance. These continued to be important areas of focus both locally and nationally and this approach would also add a degree of continuity to the projects and targets set within the plan.

43.4 The final draft of the new corporate plan was due to go to the council's scrutiny committee and cabinet early in the New Year before being submitted for final approval by council on 17 February 2016. The plan would be considered in parallel with the draft budget proposals. Ongoing financial and performance reporting had also been aligned to improve the quality of management information that regularly went to members. Delivery and monitoring of the plan would begin from 1 April.

43.5 A residents' survey had been commissioned earlier in the year and posted out to 4,000 households. The survey was designed to measure residents' satisfaction with Eastbourne, the council and specific services, as well as assess perception regarding how well previous priority areas had been addressed and what should be the focus for future improvement. Almost 1,000 residents had responded and a full report of the findings was available on the council's website. Overall satisfaction with the council's performance had increased from 45% in 2008 to 58% this year and dissatisfaction had dropped from 25% to 13% over the same period. Of the list of potential priority areas listed in the survey, all were strongly supported by respondents with no theme receiving less than 75% percent of respondents saying it was "important" or "top priority". Summary details were given of the themes that received the highest proportion of 'top priority' votes; top 5 areas of improvement; areas judged to have worsened; areas considered most important in making somewhere a good place to live; and areas most needing improving in their local area. A second survey had been conducted online at the same time as the residents' survey. This used shorter questionnaire and was made available to anyone who lived, worked or visited Eastbourne to feedback their opinions. The link was also circulated to a wide array of stakeholders groups and publicised over social media. Over 500 responses were received and these were broadly in line with the residents' survey responses. Details were again summarised in the report.

43.6 **Resolved (key decision):** (1) That the approach and timeline to the development of the new corporate plan, as set out in section 3 of the report, be agreed.

(2) That suggestions for revisions and updates to the aims within the corporate plan themes and projects be brought forward.

(3) That the headline consultation outcomes set out in section 4 of the report be noted and the use of this information as a key guide in determining future priority projects be endorsed.

44 Council budget 2016/17 - draft budget proposals (KD).

44.1 Cabinet considered the report of the chief finance officer summarising the main elements of the emerging 2016/17 revenue budget and capital programme that had arisen from the corporate and service financial planning process to date. Each year the council consulted a range of stakeholders on its detailed draft budget proposals for the following financial year. This followed consultation on the corporate plan and medium term financial strategy (MTFS), which had been carried out over the summer and autumn. Cabinet was asked to give initial responses to the consultations at this meeting and finally on 3 February 2016 in order to recommend a final budget and additions to the existing capital programme for 2016/17 to the council on 17 February 2016.

44.2 The council's medium term financial strategy (MTFS), agreed in July 2015, modelled the overall reduction in government support by 30 to 40% over the life of the current parliament (2015/20). The incoming government's 'stability budget' in July appeared to confirm this subject to the comprehensive spending review taking place this autumn covering the period to 2020. At the time of writing the report neither the chancellors autumn statement nor the resulting local government settlement was available, however there had been a ministerial announcement that an overall 30% reduction in government funding for the Department of Communities and Local Government (DCLG) had been agreed. DCLG would have to convert its overall spending control total into a settlement for local government to cover:

- Revenue support grant (general grant).
- Business rates retention (general reward based retention).
- New homes bonus (general reward allocation based on new homes).
- Specific grants (e.g. housing benefit administration grant).

44.3 The council was, with other East Sussex authorities, part of a single business rates "pool" which allowed the council to increase its business rates retention over and above the national scheme (worth approximately £100,000 in 2015/16 and projected at £200,000 per annum thereafter). The additional retention supported growth initiatives in the council's capital programme.

44.4 The MTFS strategy set out a further 4 year rolling programme with savings targets of £2.7m recurring by 2019/20 (in addition to over £5m of recurring savings achieved in setting the 2011-2016 budgets). The overarching 'DRIVE' programme formed the basis of councils efficiency agenda and the sustainable service delivery strategy (SSDS) was a major component of the programme, which would deliver savings over the life of the current MTFS. The council's move towards shared services and integration with Lewes District Council was set to contribute a further £1m of savings over the next four years. These savings, together with savings from procurement and 'channel shift', provided the main emphasis of the current SSDS. The service and financial planning process was a rolling 3-year period to reflect the MTFS, which as well as providing £500,000 per annum to reflect growth in the capital programme was well developed to meet the overall target of £2.7m over the current cycle.

44.5 Consultation on the financial plans was underway and included the council's scrutiny committee, unions and staff as well as partner organisations and the public. A separate report was included on the agenda for this meeting on the corporate plan consultation and place survey (minute 43). Once the budget proposals had been adopted in February, service plans would be updated and resource allocations reviewed in the light of any changes required by corporate plan priorities or the budget. The council's performance management systems would be used to monitor progress with quarterly reports to cabinet.

44.6 The current strategy set out a rolling 3-year plan to:

- Deal with the anticipated reduction in the government support of a further 30% from the 2015/16 level.
- Integrate fully the service and financial planning process with the main change programmes under DRIVE.
- Work with clearly defined medium term efficiency targets to the corporate transformation programmes via the SSDS and allow services to put forward savings proposals in addition.
- Deal with unavoidable growth in service demands.
- Maintain front line services to the public.
- Make further recurring savings of £2.7m per annum by 2019/20.
- Maintain at least a minimum level of reserves of £2m.
- Use surplus reserves in the medium term for:
  -Invest to save projects.
  -Smooth the requirement for savings over the cycle of the MTFS.
  -Invest in one off service developments in line with the corporate plan.
- Benchmark fees and charges against the service standard where possible.
- Reinvest in value adding priority services when headroom is created.
- Set council tax rises at the level of target inflation (CPI target 2%).
- Maintain a strategic change fund to finance the DRIVE programme in order to increase efficiency.

- Maintain an economic regeneration reserve to finance external interventions that promote economic activity.
- Use borrowing to support the capital programme only on a business case basis.
- Continue the process of priority based budgeting to target investment and differential levels of savings targets at services according to priority.
- Identify new income streams to supplement diminishing resources.

44.7 The final settlement in respect of revenue support grant (RSG) and retained business rates for 2016/17 were not yet known, together with numerous other grant announcements not yet made. The following assumptions were made in the draft budget:-

Year	**2015/16**	**2016/17**
	£m	£m
RSG	(2.8)	(2.4)
Retained business rates/section 31 grants	(4.0)	(4.0)
Council tax freeze grant	(0.1)	0
New homes bonus	(1.1)	(1.3)
Council tax	(7.3)	(7.6)
Total	**(15.3)**	**(15.3)**

44.8 The service and financial planning had culminated in the four service areas presenting their plans to the cabinet and shadow cabinet in November. In response the challenge set out in the MTFS, the service and financial planning process had identified proposed savings of £0.553m (4% of net spend)) shown in appendix 1 to the report. These were categorised as:

		£m
Efficiency savings		(0.485)
Increases in income		(0.068)
	Total	(0.553)

A total of £0.653 of service growth was proposed categorised as follows (appendix 2):

		£m
Corporate inflation		0.440
Reduced income targets		0.072
Other growth		0.141
	Total	0.653

The draft budget assumed a rise in council tax for 2016/17 of 1.9% consistent with the MTFS. The proposals also included £546,000 of non-recurring service investment to be financed directly from reserves (shown in appendix 2 to the report).

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

	Proposal £m
Base budget 2015/16	15.2
Growth (outlined in para. 4.3 of report)	0.7
Savings (outlined in para. 4.2 of report)	(0.6)
Net budget requirement:	15.3
Funded By:	
Government grants/retained rates	(7.7)
Council tax (band D £224.19)	(7.6)
Total resources:	(15.3)
Forecast general reserve as at 31 March 2016:	£4m

It was recommended that should the resources allocated by way of retained business rates and RSG differ from the assumptions, the suggested strategy would be to make the additional resources available to the capital programme. Should the resources be less than the assumptions then they should first reduce the addition to the capital programme resources, then reduce the contingency by up to £100,000 and beyond that, a further review of the service and financial plans would be required to identify additional savings/reduced growth.

44.10 The council currently financed its capital programme from capital receipts and grants and contributions. There was currently £0.5m of internal identifiable capital resources available for the next 4 years. It was intended that any headroom created by the 2016/17 revenue budget would be reinvested in the capital programme. In addition to these resources, borrowing was permitted on a business case basis where savings or new income generated from a scheme could repay the capital costs. Additional individual schemes to be added to the capital programme linked to priorities would be developed as part of the development of the corporate plan in December/January and contained in the final budget and capital programme proposals to be agreed by the full council in February. It was also noted that unlike the council tax, the capital programme could be varied at any time and that there were duties under certain schemes to consult with those affected before schemes were commenced. As well as schemes financed from internal resources, the corporate plan would include schemes financed from external resources.

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

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

(2) That the approach to dealing with changes in the expected resources available for the 2016/17 budget, as detailed in para. 5.3 of the report, be agreed.

(3) That, subject to there being no material change in the government settlement, cabinet is minded to propose a council tax rise of 1.9% for 2016/17 to make a band D charge £228.45 for council services.

45 Council tax base and business rate income 2016/17 (KD).

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

45.2 The council tax base for Eastbourne was calculated by multiplying the 'relevant amount' by the 'collection rate'. The relevant amount was the estimated full year equivalent number of chargeable dwellings within the borough. This was expressed as the equivalent number of 'band D' dwellings with 2 or more liable adults. The relevant amount had increased by 1,248 (3.75%) band D equivalent dwellings from 2015/16. This reflected expected growth in the number of taxable properties of 102 plus the effect of the changes to the council's local council tax reduction scheme (LCTRS). The effect of these changes had resulted in an increase to the total number of chargeable dwellings of 1,615.

45.3 The collection rate was the council's estimate of the proportion of the overall council tax collectable for 2016/17 that would ultimately be collected. This was expressed as a percentage. The current level of council tax collection and the forecast of a surplus balance on the collection fund indicated that the current collection rate of 97.75% would be adequate, however, after taking into account the impact of the LCTRS and other factors it was considered that the collection rate should be decreased to 97.25% for 2016/17. Taking the relevant amount of 34,556.4 and applying a collection rate of 97.25% produced a council tax base for 2016/17 of 33,606.1.

45.4 The Local Government Finance Act 2012 had introduced a new system for the local retention of business rates. This meant that the council was required to formally approve the expected business rate income for the forthcoming year. The estimate for the 2016/17 financial year must be approved by 31 January 2015. The report described how the net rate income for 2015/16 would be calculated. The actual 'NNDR1' form for 2016/17 had not yet been received but the provisional figures based on the 2015/16 form plus known changes had been calculated and indicated a net yield of £34,690,000. The allocation would be in the proportion of:

- 50% to central government.
- 40% to the local billing authority (this council).

- 10% to the other precepting authorities (9% to the county and 1% to the fire authority).

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

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

2016/17 estimate	**£'000**
EBC share of business rate yield Minus tariff Minus levy Minus estimated deficit on collection fund as at 31 March 2016 Add section 31 grants	14,457 (10,119) (499) (685) 792
Local retained business rate income 2015/16	**3,947**
2015/16 amount	4,024

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

45.7 The council worked within a business rate pool with the other East Sussex borough and district councils, East Sussex County Council and East Sussex Fire Authority. Under pooling, the levy as set out above would be payable to the pool rather than to the government, and redistributed to participating authorities in accordance with the agreed memorandum of understanding. This money would be used to fund economic development. The first half year monitoring of the pool showed that overall the forecast levy payments across all authorities was £1.321m (down £938,000 from the original NNDR1 figures supplied in January). This reduction was due to all billing authorities except Wealden forecasting lower net rates payable than predicted, the significant impact on forecast appeals provisions arising from appeals by GP surgeries affected by a valuation tribunal decision and the large number of appeals lodged at the end of March 2015. Eastbourne's share of the pool was expected to be £49,000 (as against the £236,000 forecast in January).

45.8 As at 31 March 2015 the collection fund showed deficit of £1,342,171 (£447,357 council tax surplus and £1,789,529 business rates). £1,115,817 was being recovered across council tax and business rates preceptors during 2015/16, leaving a balance of £226,354 to be distributed in 2016/17. The council had to estimate the overall surplus/deficit at 31 March 2016 and inform the precepting authorities in January 2016 of this estimate in order that the amount was included in the 2016/17 precept figures. Current monitoring figures indicated a surplus by 31 March 2016 of £662,553 for council tax; this would be revised in January and the results reported to members as part of the budget report to the February cabinet.

45.9 The calculation on the business rate income element of the collection fund currently indicated a deficit balance of £1,711,700 as a result of a bigger than anticipated provision for outstanding appeals. The calculation would be revised for January and the results reported to members as part of the budget report to the February cabinet.

45.10 Resolved (key decision): (1) That a provisional council tax base of 33,606.10 be agreed for 2016/17.

(2) That a provisional retained business rates income amount of £3.947m for 2016/17 be agreed.

(3) That the chief finance officer, in consultation with the lead cabinet member for finance, be authorised to determine the final amounts for the council tax base and retained business rates income for 2016/17.

46 Housing revenue account (HRA) 30 year business plan (KD).

46.1 Cabinet considered the report of the senior head of community informing them of the latest update of the housing revenue account (HRA) 30 year business plan and implications of recent government announcements relating to the operation of the HRA.

46.2 The 'self financing' regime for HRAs had been introduced in 2012, and since that time all local authorities had been expected to support all expenditure relating to its housing stock from its rental income. The council had received a one off £30m settlement payment to be used for debt repayment in order for the long term HRA business plan to be sustainable. The settlement was based on the HRA business plan being sustainable over 30 years.

46.3 There were a number of legislative changes proposed in the Housing and Planning Bill and the Welfare Reform and Work Bill that would have a financial impact for both the council and Eastbourne Homes Limited (EHL). The key points were:

- 1% reduction in social housing rents for four years.
- Sale of council housing high value assets.
- 'Pay to stay', where high earners would be expected to pay more rent.

The bill also proposed the extension of 'right to buy' to housing association tenants, which would be funded by the sale of council housing high value assets as noted above. All of these proposed changes would have an impact on the 30 year business plan, in particular the change to the rent policy. The business plan had therefore been re-modelled and a revised business plan produced. Early calculations indicated a reduction in rental income of £560,000 over the 4 years to 2020. Other factors impacting on the sustainability of the business plan included a reduction in EHL's management fee of £100,000; further potential efficiencies from collaborative working with neighbouring councils; the potential for an increase in right to buy sales as a consequence of pay to stay; changes in inflation and interest rates and impact on refinancing costs; and the cumulative impact of pressures upon public sector partners increasing demand for support to complex high need groups.

46.4 When making the self-financing settlement the government set a debt cap for each authority for the maximum amount of borrowing the HRA was allowed. The debt cap originally was set at £42.9m and since then an additional £0.3m borrowing approval had been received. The total HRA borrowing at 1 April 2012 was £36.7m giving head room of £6.5m for future borrowing. Once the current capital programme for the new build and empty homes programmes had been completed this head room would have been fully utilised and no further borrowing would be available to the HRA. The capital programme would therefore be limited to the major works programme of around £4.4m annually funded from the major repairs reserves for work on maintaining the existing stock, and a small sum for new stock funded from the element of the right to buy receipts set aside for replacement stock.

46.5 The council and EHL were working to fully understand the long term implications of the proposed changes and at this time there were still significant detail to be released on how the proposals would work in practice and be funded. The council and EHL would take the outcome of the financial impact and sustainability of the HRA business plan into account when setting the annual management fee for EHL, HRA budget and capital programme.

46.6 Resolved (key decision): (1) That the content of the report and work being undertaken to set a sustainable housing revenue account business plan be noted.

(2) That the senior head of community, in consultation with the lead cabinet member for community, respond to the government by outlining the long term implications of the proposed changes.

47 Devonshire Park project (KD).

47.1 Councillors Jenkins and Freebody addressed the cabinet. Councillor Jenkins praised the project but asked about the impact on the council's total debt if all costs were funded by the council. Councillor Freebody indicated his group's support, acknowledged the strong business case for the project and endorsed the desire for external funding sources.

47.2 Cabinet considered the report of the senior head of regeneration, planning and assets seeking further decisions to advance this project. Cabinet on 18 March 2015, after consideration of the business case, had given approval to the scheme and agreed the necessary funding to proceed with RIBA stage 3 design and submission of the planning application. This was followed on 21 October when approval was given for funds to undertake RIBA stage 4 design works in advance of final scheme and funding authorisation.

47.3 The report detailed the council's vision and objectives underpinning the scheme and outlined the financial and economic benefits of investment. In developing and costing the scheme a process of prioritisation had been undertaken to achieve an affordable scheme and at the same time meet the council's objectives. The current estimate of cost for the scheme was c.£50m (against the forecast estimate of £40 - £42m at RIBA stage 2) as a result of additions and variations to the scheme design. A subsequent 'value engineering' exercise had reduced the scheme cost total to c.£44m. through a mixture of re-design, omission of non-essential elements and use of alternative funding sources for certain items. The £44m budget now required to deliver the scheme was in addition to funding previously approved to achieve RIBA stage 2 (£950,000) and stages 3 and 4 (£1,925,000).

47.4 The report noted that there were 3 listed buildings on the site (Congress Theatre, Winter Gardens and Devonshire Park Theatre). These buildings had long term defects which would require sympathetic restoration intervention requiring Historic England approval and listed building consent. Following a period of negotiation and amendments to the scheme, Historic England had indicated support for the scheme subject to conditions regarding design details and materials. These were included in the planning and listed building consent granted by the council's planning committee on 24 November.

47.5 A key stakeholder in the in the project was the Lawn Tennis Association (LTA). The project would deliver significant improvements to the tennis court layout to accommodate increased court sizes and a new show court. The LTA was also be keen to see significant improvements to the player facilities which they would contribute to.

47.6 The buildings, in particular the theatres, as currently arranged, presented significant challenges for disabled access. The approved design had successfully addressed these challenges and included a controlled access drop of point within the plaza.

47.7 The first construction phase of the project was scheduled to begin in summer 2016 and the overall project was programmed to complete in early 2020. During this period it would be necessary to close the Congress Theatre for 14 months, of which the last 6 months would overlap with the closure of the Winter Gardens. The construction procurement process would explore how the Winter Gardens could operate with a series of partial closures. A temporary modular kitchen would be located at the rear of the Winter Gardens as the current kitchen would be demolished at an early stage of the project. The works would have an impact on both the conference and show programmes and plans were being developed to address this and notify hirers. The Devonshire Park Theatre programme should not be affected and the Aegon Tennis tournament would continue throughout the construction phase and no other significant business interruptions were foreseen.

47.8 Details of scheme phasing, procurement, risk management, legal implications (including consideration of 'state aid' legislation and equalities were given in the report. Existing governance arrangements would remain in place. A summary of consultations undertaken to date was given in the report. In addition the council's scrutiny committee had reviewed the economic case for the investment at their meeting on 7 September 2015.

47.9 Capita Asset Services Ltd. Had been appointed to provide advice on the robustness of the business case, potential funding options and affordability. A final report was expected in the new year. Overall the scheme would cost the council in the order of £44m if all allowances for inflation and contingency were exhausted. In summary the implications for the councils finances were:
£1m of revenue to fund business interruption (set aside in March 2015).

1. Use of £12m - £20m of future capital receipts.
2. Use of the ongoing surplus created by the improved business following scheme completion to part finance the capital investment.
3. That the council plan recurring growth of £500,000 per annum in its capital financing (revenue) budget in the period 2016-2020 depending on 2 an 3 above and its overall capital programme.

The report also noted efforts made to secure outside funding focussing on the Heritage Lottery Fund, Arts Council England and the Local Economic Partnership. To date no funding commitments had been made, however discussions would continue.

47.10 Resolved (key decision): (1) That full council, at their meeting on 17 February 2016 and as part of their consideration of the 2016/17 budget, be recommended to approve the addition of £44m to the capital programme to complete the scheme, subject to final due diligence.

(2) That support for the Devonshire Park redevelopment scheme as presented in the report be confirmed.

(3) That officers be instructed to continue to seek external funding sources.

(4) That the appointment of the existing multi-disciplinary design team to complete the scheme be confirmed.

(5) That approval is given to the commencement of the public procurement processes referred to in this report to deliver the project and delegate the detailed development, management and approval of the public procurement processes to be followed and of all the procurement documentation required to deliver the project to the senior head of regeneration, planning and assets in consultation with the chief finance officer, the lawyer to the council, lead cabinet member and opposition spokesperson; such delegation to include approval to allowing exceptions to the council's contract procedure rules should that become necessary.

(6) That delegated authority to appoint all the contractors necessary to deliver the project be given to the senior head of regeneration, planning and assets in consultation with the chief finance officer, the lawyer to the council, lead cabinet member and opposition spokesperson.

48 * Contract rules and procurements (BPF).

48.1 Cabinet considered the report of the senior head of projects, performance and technology seeking approval of revised contract procedure rules and to agree approaches to two key procurements. Local authority procurement was an evolving area which was subject to scrutiny and challenge. The current rules were approved in 2009 and now needed to be fully revised to ensure they reflected current law, best practice and the environment in which the council was now operating.

48.2 The 3 key reasons for revising the rules were:

- To reflect the Public Contract Regulations 2015, in force earlier this year.
- To achieve a standard set of rules for Eastbourne Borough Council, Lewes District Council and Eastbourne Homes Ltd.
- To enable a modern and responsive approach to procuring works, supplies and services.

48.3 The full revised rules were appended to the report. Key changes included:

- Simplification and standardisation of the contract value thresholds that determined the approach taken to procurement; with a higher threshold for low value procurements for which no specified number of quotes was required and provisions to ensure accountability for any direct awards of lower value contracts.
- Updating the rules around advertising contracts to reflect the requirements of PCR 2015. These were outlined in section 7 of the rules.
- A 'digital by default' approach to tendering, meaning that tenders would be advertised online and responses would be submitted via an electronic tendering system, thus removing the outdated need for hard copies to be submitted and recorded in a tender opening book.

- Clear rules stating that disposal of land via sale or lease must only happen after auction, invitation of tenders or expressions of interest following public advertisement, in at least one newspaper circulating in the district, unless specifically authorised by cabinet.

The council's monitoring officer and the audit and governance committee (at their meeting on 2 December 2015) had both considered the revised rules and had recommended approval.

48.4 The report then considered the approach to two particular procurements. First, energy procurement, as existing gas and electricity contracts were due to end in 2016. A review had been undertaken which had recommended choosing East Sussex County Council (ESCC) for reasons of cost and the provision of additional useful services. The estimated total cost of the contract was £65,000, so it was comfortably under the OJEU thresholds and therefore within cabinet's authority to authorise a direct appointment. Second, in respect of software to operate the community infrastructure levy (CIL) (which was a planning charge, introduced by the Planning Act 2008 as a tool for local authorities to help deliver infrastructure to support the development of their area). It was important that CIL funds were properly administered to ensure they were used for the agreed purpose and were clearly auditable. It was also proposed that this facility be shared with Lewes District Council who had already agreed to purchase CIL software linked to their existing planning case management system. Given the intention to enter into a shared service, and the lack of a product from the council's supplier, an exception to contract rules was recommended in order to appoint Exacom Systems to provide the council with CIL/s.106 software. The estimated contract value was £45,000 so it was comfortably under the OJEU thresholds and therefore within cabinet's authority to authorise a direct appointment.

48.5 * Resolved (budget and policy framework): (1) That full council be recommended to approve the new contract procedure rules.

48.6 Resolved (key decision): (2) That an exception to the existing contract procedure rules be authorised in order to appoint East Sussex County Council directly to procure the council's energy supply and manage the council's energy services.

(3) That an exception to the existing contract procedure rules be authorised to procure the same software solution as Lewes District Council to manage community infrastructure levy payments as part of a shared service.

49 Employment land local plan (KD).

49.1 Cabinet considered the report of the senior head of regeneration, planning and assets. The requirement for an employment land local plan (ELLP) arose from an inspector's ruling in relation to the council's core strategy local plan which had been considered at a public inquiry in 2012. The plan would guide job growth and economic development in

Eastbourne up to 2027 by identifying an appropriate supply of land for future employment development.

49.2 A proposed submission ELLP had been approved by cabinet on 10 December 2014 for the purposes of an 8-week consultation on issues of soundness. Nineteen representations, including significant representations from Sovereign Harbour Limited (SHL), had been received and had resulted in some changes being made to the plan and supporting documents. A schedule of changes made to the plan was provided in an appendix to the report. As a result a revised proposed submission ELLP now needed to be published to allow for representations to be made on issues of soundness before it could be submitted for examination.

49.3 The strategy contained within the plan to deliver the employment floor-space required proposed:

- 20,000 sq.m. of industrial and warehouse floor-space through the intensification of the existing industrial estate.
- 3,000 sq.m. of office floor-space in the town centre.
- 20,000 sq.m. of office and light industry floor-space at Sovereign Harbour.

49.4 Resolved (key decision): (1) That the revised proposed submission employment land local plan be approved for publication for a 6-week period to receive representations on issues of soundness.

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

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

(4) That the senior head of regeneration, planning and assets be given delegated authority, in consultation with the lead cabinet member to authorise public consultation on proposed modifications as a result of the examination, if necessary.

50 Review of safeguarding children and vulnerable adult policy (KDGE).

50.1 Councillor Freebody addressed the cabinet commenting on the need to amend appendix E to the proposed policy (allegations against staff and councillors) so as to clarify the arrangements to be adopted in the case of allegations against a councillor.

50.2 Cabinet considered the report of the senior head of community seeking agreement to proposed revisions to the council's safeguarding children and vulnerable adult policy. A review of the council's policy and procedures had been carried out to ensure that these complied fully with the latest legislation and guidance. Reference had also been made to the current Lewes District Council safeguarding policy to ensure this aligned as closely as possible. A revised policy was appended to the report.

50.3 A key amendment to the policy was the introduction of the role of safeguarding contacts. It is proposed that a minimum of five team leaders, service managers or specialist advisors were nominated to play a lead and supportive role in the identification, recording and reporting of safeguarding concerns. Details of other amendments were summarised in the report. The East Sussex Local Safeguarding and Children's Board and the East Sussex Safeguarding Adults Board would be consulted. Lewes District Council and Eastbourne Homes ltd. would also be asked for their views.

50.4 Resolved (key decision): (1) That the recently undertaken review of the council's safeguarding children and vulnerable adult policy be noted.

(2) That the senior head of community be given delegated authority, in consultation with the lead cabinet member, to approve amendments to the policy (including amendments to appendix E as noted above), subject to consultation with the local safeguarding and children's board and the safeguarding adults board.

51 * Gambling policy (statement of principles) 2016-2019 (BPF).

51.1 Cabinet considered the report of the senior specialist adviser. The Gambling Act 2005 required the council's policy to be reviewed at least every 3 years. As the licensing authority, the council was responsible for issuing premises licences for casinos, bingo premises, adult gaming centres, family entertainment centres and betting premises as well as licensing all types of gaming machines and certain types of lottery. The required objectives for the council's policy were:

- Preventing gambling from being a source of crime or disorder, being associated with crime and disorder or being used to support crime.
- Ensuring that gambling is conducted in a fair and open way.
- Protecting children and other vulnerable persons from being harmed or exploited by gambling.

51.2 Details of consultations undertaken and responses received were given in the report. A small number of changes were made to the existing policy. In summary the amendments changed grammatical errors required to provide greater clarification and included an allowance in several paragraphs, for future legislative amendments or guidance from the Gambling Commission. The council's licensing act committee had been consulted upon and had agreed the revised policy at their meeting on 5 October 2015.

51.3 * Resolved (budget and policy framework): That full council be recommended to approve the Council's Gambling Policy (Statement of Principles) 2016 – 2019 which will form the council's approach to gambling matters under the Gambling Act 2005 for the next three years, unless reviewed in the interim.

52 Review of policies: (1) Street trading; (2) Sex establishments. (KD).

52.1 Cabinet considered the report of the senior specialist adviser seeking approval to updated policies in respect of street trading and the control of sex establishments in Eastbourne.

52.2 The council currently regulated street trading under the provisions of Schedule 4 of the Local Government (Miscellaneous Provisions) Act 1982. This permitted the council, among other things, to designate streets as "consent streets" or "prohibited streets" for trading purposes. A key objective was to increase the vibrancy and vitality of the town, in particular the town centre. (The policy did not cover pedlars certificates, which were issued by Sussex Police to individuals to sell their goods from a mobile unit, moving from location to location.).

52.3 The council regulated sex establishments such as lap dancing clubs and other places of sexual entertainment under the provisions of the Policing and Crime Act 2009, and schedule 3 of the Local Government (Miscellaneous Provisions) Act 1982.

52.4 Consultation took place between 1 July and 24 September 2015. No feedback was received to either consultation. The council's general licensing committee agreed the policies at their meeting on 5 October 2015.

52.5 Resolved (key decision): (1) That the street trading policy be approved.

(2) That the sex establishment and encounter policy be approved.

53 Exclusion of the public.

Resolved: That the public be excluded from the remainder of the meeting as otherwise there was a likelihood of disclosure to them of exempt information as defined in schedule 12A of the Local Government Act 1972. The relevant paragraphs of schedule 12A and descriptions of the exempt information are shown beneath the items below. *(The requisite notice having been given under regulation 5 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.)*

54 Community grants - Major and housing grants 2016/17 to 2018/19 (KD).

54.1 Cabinet considered the report of the senior head of community seeking approval to the allocation of major and housing grants for the 3-

years 2016/17 to 2018/19. The community grants programme was split between major grants and housing grants which were awarded for a three year period and small grants of up to a maximum of £10,000 which were awarded for one year only. These grants were awarded in line with the council's community grants policy which was last reviewed and updated by cabinet on 8 July 2015.

54.2 The cabinet agreed that major grants of £203,000 be awarded to address the following priorities:

- Advice and financial inclusion services.
- Youth engagement and activities.
- Services to homeless people.
- Support for voluntary and community organisations.

In addition, housing grants of £56,500 would be allocated to services aimed at preventing homelessness.

54.3 Ten eligible expressions of interest were received from voluntary and community organisations. Applications totalling £376,879 were subsequently received and assessed by the council's grants task group who recommend that grants be awarded as follows:

Advice and financial inclusion services
- Eastbourne CAB - £115,000
- Shinewater Shaftesbury Centre - £4,000

Youth engagement and activities
- Eastbourne and Wealden YMCA - £40,000

Services to homeless people
- Salvation Army - £30,000

Support for Voluntary and Community Organisations
- 3VA - £14,000

Housing advice/homelessness prevention
- BHT Eastbourne Advice - £56,500

54.4 It was not possible to fund all of those applying or to offer the full amount requested. A number of the organisations currently receiving major grants had applied for an increase in funding. However, this could not be offered within the £259,500 budget available. The recommendations set out above maintained the current level of funding for those organisations which applied which were currently in receipt of major grants in recognition of their valuable services. The recommended increase to the Salvation Army reflected their financial need to be able to continue delivering their service, the high quality of service provided and impact on the wider community and the increasing need for this service. The award of £4,000 recommended for Shinewater Shaftesbury Centre was to help maintain this service and provide match funding to help the organisation lever in grants from other sources.

54.5 Resolved (key decision): That major and housing grants be awarded in accordance with the recommendations of the grants task group as listed above.

(Note: This minute was made public following notification to the grant recipients.)

55 Summary of confidential proceedings.

(Note: The full minutes of the under-mentioned items are set out in the confidential section of these minutes. The reports remain confidential.)

(a) Redundancy and redeployment policy - activity update.

Cabinet noted that 2 employees were currently subject to the procedure at present. They noted the actions taken to manage implications of change for displaced individuals through support, redeployment and assistance with self-marketing under the redundancy and redeployment procedure and the use of the procedure in managing the change resulting from implementation of phase 2 of Future Model.

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

(b) Corporate assets - investment (KD).

Cabinet agreed the acquisition of the property based on terms set out in the report subject to agreement of terms and all due diligence. The senior head of regeneration, planning and assets was given delegated authority, in consultation with the lead cabinet member, to acquire the property either as a pure asset or as part of an asset holding vehicle. The decision was in line with the council's corporate plan and medium term financial strategy (MTFS). The acquisition would enable the council to ensure the long term future of an important asset and further investment and development of the site would deliver regeneration and community benefits and potentially homes. Confidentiality was required at this early stage to protect the Council's interests in future negotiations and allow for the formulation of a communications strategy to engage with relevant stakeholders.

Exempt information reasons: 3 - information relating to the financial or business affairs of any particular person (including the authority holding that information) and 5 (information in respect of which a claim to legal professional privilege could be maintained in legal proceedings).

The meeting closed at 7.56 pm

Councillor Gill Mattock
Deputy chairman

Body:	**Cabinet**
Date:	**3 February 2016**
Subject:	**Coastal Communities Fund**
Report of:	**Phillip Evans, Senior Head of Tourism and Enterprise.**
Ward(s)	All
Purpose	This report updates members on progress of CCF projects and a proposal for the café in Princes Park.
Decision Type:	Key decision.
Recommendation	Cabinet is recommended to: 1. Note progress of Coastal Communities Funded capital and revenue projects. 2. Agree a waiver of the Financial Procedure Rules to allow the award of a ten year lease to the University of Brighton for the café in Princes Park without a competitive process. 3. Delegate authority to the Senior Head of Tourism and Enterprise and in consultation with the Cabinet portfolio holder for Tourism to take all necessary steps to complete the lease arrangements with the University of Brighton.
Contact:	Paul Turton, Housing and Economic Development Project (HEDP) Director. Telephone: 01323 436314, Mobile 07870 115491 E-mail address : paul.turton@eastbournehomes.org.uk

1.0 Background/Introduction

1.1 Eastbourne Borough Council was granted £1.83m Coastal Communities Funds in February 2015 following a successful bid. The key criteria for receipt of the funding are to create 118 jobs (direct and indirect), through a mixed portfolio of capital and revenue projects, and to spend all funds by December 2016.

2.0 Project progress

2.1 Delivery of projects started in March 2015 and all projects are at various stages. Our revenue partners; Towner Gallery, TechResort and Building Partnerships each have clearly defined targets/outcomes for jobs created, cash flow, individual projects, training and skills.

2.2 Recruitment of key posts within HEDP and our partners is complete, progress against key outcomes is monitored regularly and support given where appropriate. Partners are generally on track to deliver their key outcomes, they will achieve them all by December 2016, and all grant monies will be spent.

2.3 The improvements to the upper facades in Seaside Road were the first capital project to be successfully completed in October 2015. Of the two commercial units being re-furbished, work is due to start on one in February and we are on site in the second. Both will be complete by the summer.

2.4 Sea Houses Square improvements to the plaza will commence in February 2016. They will include new lighting, hard and soft landscaping and a mosaic designed by the community.

2.5 Internal audit have reviewed two projects; one capital and one revenue to ensure we meet the funders requirements. Assurance was obtained from the audit which allowed the DCLG declaration to be signed and a report will be issued soon.

3.0 Princes Park

3.1 Over £900,000 of the CCF funds will be used to improve Princes Park in key areas; a new main entrance linked to the promenade by a new zebra crossing, a new central plaza will lead visitors from the new entrance to the café, which will be completely refurbished including new decking overlooking the lake.

4.0 Café

4.1 The refurbishment of the café is one of the main projects for CCF. We have full planning approval for the work, been out to tender based on an original budget of £395k. Works are scheduled to start in February 2016.

4.2 An option for the refurbished café would be to seek a new arrangement with Pistachios. Given the CCF investment into the café we would expect a higher rent than currently achieved. However, we would not achieve the added value benefits detailed later in this report. Alternatively a new tenant could be identified.

4.3 Pistachios in the Park have been the lessee of the café since 2012 on a modest rent which reflected the fabric of the building at the time; their lease was due to end in June 2017. We have been in regular contact with Pistachios; pre and post CCF bid, particularly about closure of the café during the refurbishment.

4.4 The discussions have remained positive and Pistachios are keen to work in partnership with EBC on other similar outlets in the future. Pistachios decided to legally surrender their lease on 22 December 2015. They have agreed to a joint press release with the owner of Pistachios stating 'Pistachios have enjoyed working in partnership with the council, the investment in the park and refurbishment of the café will secure the long term future of this much loved park'.

4.5 Therefore, we now have full vacant possession of the café prior to commencing works.

5.0 University of Brighton

5.1 As part of a wider strategic discussion on the future role of the university in Eastbourne, they have provided a detailed written proposal for the use of the café as both an operating outlet and as a training venue for students and local people. This will support their main faculty of Tourism and Leisure.

5.2 The surrender of their lease by Pistachios has enabled these discussions to go to the next stage. Without the surrender the university would not have considered investing in the café due to the risk of Pistachios re-occupying the café once works were completed.

5.3 Heads of terms for the university's lease have been agreed in principle; 10 years lease at a market valuation rent, three years rent free period, reflecting their capital investment of circa £280K.

5.4 We have reviewed the University's key requirements for the café; they can all be accommodated in our planned works with minimal contract variations to cover areas of overlap. The University will separately procure and contract manage the fit out works e.g. new kitchen, seating etc which will be overseen by ourselves.

6.0 Legal advice

6.1 *Contract Procedure Rules.*

The proposed arrangements will not create a works or services contract with the University and the Contract Procedure Rules will therefore not be engaged. This is because the Council is not seeking to impose any legally enforceable obligations on the University in relation to the provision of works or services.

6.2 *Disposal of land.*

Subject to certain conditions, the Council has the power to dispose of its land in any manner it wishes and receive consideration for its land under Section 123 of the Local Government Act 1972. Disposal in this context includes granting a lease.

The Secretary of State's consent is needed if the Council receives less than the "best consideration that can reasonably be obtained" other than when granting a short tenancy. The Council is under a duty to achieve a particular outcome (best price reasonably obtainable) and not a duty to conduct a particular process. Therefore, it is possible to meet this requirement via an external market valuation and it is not necessary to go through an open tender process.

We will obtain a commercial rental valuation as the basis for the lease rental prior to completion to meet this requirement

6.3 *Financial Procedure Rules (FPR's)*.

The Council's Financial Procedure Rules also require that normally disposal of assets should be by way of competitive process or auction unless following consultation with the Finance Director, Cabinet agrees otherwise. As a general principle, Cabinet should only agree to waive these requirements if there are good and objectively demonstrable grounds for doing so.

In deciding to waive any requirement, Cabinet should have regard to its general fiduciary duty to its wider taxpayers and the duty to achieve best value from its procurement arrangements.

6.4 *Waiver from FPR's.*

The proposal offers some distinct advantages to the Council, fits with the overall regeneration ambitions being delivered through DDF and justifies a waiver from the Financial Procedure Rules because it:

1. Represents a commitment to a continued offer in the Town by the university at a time of overall strategic review and potential change.
2. Enhances the opportunities and offer for students living in the town.
3. Will create both an attractive café offer alongside training and job opportunities for students and local people.
4. Secures significant additional capital investment into the café and will help make sure we can deliver the highest possible quality new facility.
5. Coupled with the long term commitment of the university we will secure best consideration via a commercial rent valuation.

7.0 Consultation

7.1 Consultation with the Finance Director and CMT has been ongoing. Member consultation has taken place at the Strategic Property Board and with local ward members via the Driving Devonshire Forward steering group.

8.0 Recommendation

8.1 Cabinet is recommended to:

1. Note progress of Coastal Communities Funded capital and revenue projects.
2. Agree a waiver of the Financial Procedure Rules to allow the award of a ten year lease to the University of Brighton for the café in Princes Park without a competitive process.
3. Delegate authority to the Senior Head of Tourism and Enterprise and in consultation with the Cabinet portfolio holder for Tourism to take all necessary steps to complete the lease arrangements with the University of Brighton.

9.0 Key Risks

9.1 Should the waiver not be agreed then the University of Brighton may not enter into a competitive process, resulting in a loss of £280K capital injection.

10.0 Staffing and Resources

10.1 There are no staffing implications. Managing contract variations and lease terms can be absorbed within HEDP.

11.0 Legal

11.1 There are no further legal implications other than those at section 6 above.

12.0 Background Papers: None

Lead Officer name: Paul Turton
Job Title: HEDP Project Director

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Body:	**Cabinet**
Date:	**3 February 2016**
Subject:	**General Fund Revenue Budget 2016/17 and Capital Programme 2015/19**
Report Of:	**Deputy Chief Executive (Chief Finance Officer)**
Ward(s)	All
Purpose	To agree the detailed General Fund budget proposals for 2016/2017 and Capital Programme 2015/2019.
Decision Type:	Key Decisions requiring approval of Full Council
Recommendation:	Members are asked to recommend the following proposals to Full Council:

(i) General Fund budget for 2015/16 (Revised) and 2016/17 (original) **Appendix 1** including growth and savings proposals for 2016/17 as set out in **Appendix 2**.

(ii) An increase in the Council Tax for Eastbourne Borough Council of 1.9% resulting in a Band D charge of £228.51 for 2016/17.

(iii) General Fund capital programme 2015/19 as set out in **Appendix 3**.

(iv) That the Council accepts the Government offer of a 4 year settlement as outlined in 3.8.

Contact: Alan Osborne, Deputy Chief Executive and Chief Finance Officer, Telephone 01323 415149 or internally on extension 5149.
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1.0 Introduction

1.1 This report sets out the general fund revenue budget proposals for 2016/17 and a rolling three year capital programme 2015/19.

1.2 The Housing Revenue Account 2016/17 and associated capital programme, together with rent setting for 2016/17 is subject of a separate report elsewhere on this agenda.

1.3 The Council revised its medium term financial strategy (MTFS) in July 2015 and the Cabinet recommended a resulting draft 2016/17 budget proposal in

December 2015 following the service and financial planning process in the autumn.

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

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

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

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

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

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

2.0 Summary of recommended budget proposals

2.1 The budget proposals include:

- An increase in the Council Tax in 2016/ 17 of 1.9%, the first increase for five years.
- Overall savings/new income totalling £0.6m (4% of the net budget)
- Efficiency savings of £0.5m (3% of the net budget)
- Inflation and unavoidable costs of £0.8m (5% of the net budget)
- Other recurring service growth of £0.1m
- Non recurring service investments £0.6m
- General Reserves averaging in excess of £4m (against a minimum recommended of £2m)
- Capital resources of £0.4m invested in new capital schemes

2.2 The budget represents continued management of financial risks by:

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

deliver the future savings required by the MTFS via the strategic change fund.

3.0 2016/17 Resources

3.1 Government Funding

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

- The council tax freeze grants (2011-15)
- Some new burdens grants
- Homelessness grant

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

- A further reduction in revenue support grant of £0.9m (30%) to £1.8m (reduced from £10.4m in 2010)
- Partially offset by new homes bonus and section 31 grants (additional £0.2m in 2016/17)
- Eastbourne will receive the second largest reduction in "spending power" of all local authorities in the 4 year period to 2020
- The Government headline figure is a reduction of 16.4% , however this takes into account the ability to raise council tax, predicted growth in the tax base as well as increases in the new homes bonus.

3.5 The NNDR business rate base has remained static largely as a result of the continued provision for appeals and resulting collection fund deficit, despite an inflationary increase which is linked to the September 2015 RPI at 0.78%.

3.6 In addition to the formula grant the Government is currently proposing to add the council tax freeze grant for the current year 2015/16 (£85,400) by way of a section 31 grant.

3.7 The Government has announced that Eastbourne will receive £1.2m in total of new homes bonus due to the growth in housing in the area. The grant is paid in tranches for six years. The 2016/17 figure includes all 6 tranches. The funding is not guaranteed beyond the 6 year horizon for each tranche. The Government is financing the additional NHB from reductions in RSG, therefore, whilst volatile, it is currently the preferred method of distribution of resources. A further proposal to limit future awards to 4 years is currently under consideration. At the time of writing retention of an element NHB/RSG has been made that could equate to £100k for EBC.

3.8 The Government is requesting individual authorities to indicate whether they wish to have a four year settlement from 2016/17. There is a requirement to publish a four year efficiency statement that can only be varied by the Full Council. Current advice is that the efficiency target element of the MTFS will suffice in this respect. Cabinet is recommended to accept the proposal.

Council Tax

3.9 The proposal is for an increase in council tax of 1.9% for 2016/17 which results in a Band D rate of £228.51 for Council services. This is the first increase for 5 years.

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

3.11 Within this context, for 2016/17, the Council will raise £7.7m from its share of the council tax. This is determined by multiplying the council tax base of Band D equivalent dwellings by the Band D tax rate of £228.51. This is unchanged from the December tax base setting report.

3.12 In addition, there is a distribution of £180,000 payable to EBC to the collection fund due to a collection fund surplus.

3.13 **Summary – 2016/17 Resources**

A summary of the resources available is shown below:

Source:	**£'m**
Government formula grant	(1.8)
Retained business rates-normal	(3.9)
Retained business rates (East Sussex Pool)	(0.2)
New Homes Bonus	(1.2)
Section 31 grants	(0.2)
Collection Fund Surplus	(0.2)
Council tax	(7.7)
Total Resources Available (Rounded)	**(15.2)**

3.14 In order to achieve a balanced budget without using reserves for recurring expenditure, the Council needs to set a net budget for 2016/17 of £15.2m.

4.0 Specific Grants

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

Grant	**2016/ 17 £'m**
Housing Benefit Subsidy	(40.0)*
H B Administration (5% reduction from 2015/16)	(0.6)
* Approximate	

4.2 Housing Benefit Subsidy:

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

The system of universal credit is due to be completed by 2019 which will see the caseload moved to the Department for Work and Pensions. Currently only new applicants are put on universal credit.

The admin grant has been reduced by 5% per annum for the last 5 years.

4.4 Homelessness:

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

4.5. New Homes Bonus:

This began in 2011/12 (£187,000) and is currently guaranteed for six years. Further increases will take this source of funding to £1.2m per annum in 2016/17.

5.0 Budget movements 2015/16 to 2016/17

5.1 The detailed budget proposals are set out in **(Appendix 1)** show in detail the movement from the 2015/16 budget to the 2016/17 proposed budget. The movements are summarised below:-

5.2

Movement from 2015/16 Base Budget:		**£m Total**
Change in resources:		
Government grants	0.5	
Council tax surplus	(0.2)	
Council tax	(0.4)	(0.1)
Cost increases:		
Inflation and unavoidable costs	0.7	
Other growth and changes in income	0.1	0.8

Savings:		
Efficiency savings	(0.5)	
Increased Income/other changes	<u>(0.2)</u>	<u>(0.7)</u>
		<u>0</u>

5.3 If Cabinet approves the proposals set out in the report it will be able to recommend to Council on 17th February a balanced budget in line with available resources without the need to use reserves for recurring expenditure.

5.4 The Council now follows a rolling three year financial planning cycle and the service and financial plans have been set out in detail for 2016/17. The next MTFS due in July will project forward a further three years and continue to provide the basis of service and financial planning for the medium term. It should be noted that at a significant level the savings required for the next MTFS have already been identified, further reports to Cabinet will detail the business plans under the transformation programme (DRIVE) and sustainable service delivery strategy (SSDS)

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

6.0 Risks, Contingencies and Reserves

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

6.2. <u>Principal Risks</u>

The key areas of financial risk that the Council faces in the operation of its 2016/17 budget are:-

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

On an exception basis, information on each of the risk areas identified above, together with any new and significant risks that may emerge over the course of the year, will be included in each financial performance report to Cabinet and Scrutiny during 2016/17.

6.3 <u>Contingencies</u>

The 2016/17 budget includes a corporate contingency budget of £0.14m to allow for unbudgeted expenditure or reductions in income. This is in addition to the known inflation that has been built into the service budgets It represents nearly 1% of the overall net budget requirement.

6.4 Reserves

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

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

6.5

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

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

Should the budget recommendations be followed, the level of general fund reserves is projected at over £4m by March 2017 **(Appendix 1)**. In addition to acting as a potential buffer against future risks, this should create further opportunities for one off investments in the future.

6.6 Other earmarked revenue reserves:

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

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

Capital Programme 2015-2019

6.8 The principles for formulating the capital programme were set out in the draft budget report submitted to Cabinet on 9th December 2015. The proposed new schemes to be financed are shown in **bold** in at **(Appendix 3)**.

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

7.1 In addition to schemes that qualify for borrowing the Council had a further £0.4m of capital resources to apply to the programme.

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

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

7.4 Consultation

7.5 The Council's medium term financial strategy and the resulting draft budget proposal for 2016/17 as reported to Cabinet in December have been subject to wide and varied consultation. The Scrutiny Committee held a finance event in October and has been invited to comment on the budget proposals at its meeting in February.

8.0 Implications

Financial

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

8.2 **Human Resources**

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

8.3 **Environmental**

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

9.0 Conclusion

The Council is reasonably well placed financially to meet the demands on its services as well as the reductions in Government support. However the challenge over the medium term is profound and more change is necessary to move to a sustainable position.

Alan Osborne
Deputy Chief Executive and Chief Finance Officer

Background Papers:

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

Cabinet reports:
December 2015

- Council Tax Base for 2016/17
- Draft Budget Proposals 2016/17
- Consultations on Council priorities

July 2015 – Medium Term Financial Strategy

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

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	2015/16 Original Budget £'000	2015/16 Revised Budget £'000	2016/17 Budget £'000
Corporate Services			
Corporate Management	409	373	359
Corporate Services	1,386	1,574	1,365
Strategic Finance	1,816	1,846	1,913
Human Resources	375	375	380
Legal Services	233	231	230
Projects, Performance and Technology	1,727	1,977	1,983
Corporate Development and Governance	897	849	857
	6,843	**7,225**	**7,087**
Community Services			
Service Management	(75)	(71)	(63)
Strategy and Commissioning	54	52	189
Customer First	7,243	6,979	7,012
Bereavement Services	(973)	(973)	(1,067)
	6,249	**5,987**	**6,071**
Regeneration, Planning Policy and Assets			
Service Management	100	69	59
Regeneration and Planning Policy	193	353	419
Estates and Property	(335)	(336)	(366)
	(42)	**86**	**112**
Tourism and Enterprise Services			
Service Management	104	99	99
Towner	685	679	680
Tourism and Enterprise	659	669	739
Sports Delivery	322	250	270
Seafront	(11)	(11)	(6)
Events	586	601	611
Theatres	740	748	824
	3,085	**3,035**	**3,217**
Net Service Expenditure	**16,135**	**16,333**	**16,487**
Contributions to/(from) Unearmarked Reserves	(890)	(914)	(1,321)
Contributions to/(from) Earmarked Reserves	NIL	(9)	NIL
Contributions to/(from) Strategic Change Fund	NIL	(96)	NIL
Contributions to/(from) Capital Programme Reserve	NIL	NIL	NIL
Contributions to/(from) Regeneration Reserve	NIL	(67)	NIL
Contributions to/(from) Revenue Grants	NIL	(2)	NIL
Eastbourne Borough Council Budget Requirement	**15,245**	**15,245**	**15,166**
Financed by			
Government Formula Grant	(2,677)	(2,677)	(1,752)
Localisation of Council Tax benefit support transition	(141)	(141)	(141)
New Homes Bonus	(1,064)	(1,064)	(1,165)
Council Tax Grant	(86)	(86)	(86)
Retained Business Rates	(3,953)	(3,953)	(3,947)
Contribution from East Sussex Business Rate Pool	NIL	NIL	(212)
Contribution from Council Tax Surplus	(25)	(25)	(184)
Council Tax Collection Fund Precept	(7,299)	(7,299)	(7,679)
Total Financing	**(15,245)**	**(15,245)**	**(15,166)**

	2015/16 Original Budget £'000	2015/16 Revised Budget £'000	2016/17 Budget £'000
General Fund Reserve			
In hand at 1st April	(4,537)	(4,899)	(3,588)
Financing of Non Recurring Expenditure	487	504	586
Transfer to Devonshire Park Reserve	NIL	1,000	NIL
Transfer from Regeneration Reserve	NIL	NIL	(500)
Withdrawal/(Addition)	NIL	(193)	735
Allocated for Future Use	NIL	NIL	NIL
In hand at 31st March	**(4,050)**	**(3,588)**	**(2,767)**
Strategic Change Fund Balance			
In hand at 1st April	(639)	(1,019)	(201)
Withdrawal/(Addition)	NIL	96	NIL
Allocated For Future Use	500	722	NIL
In hand at 31st March	**(139)**	**(201)**	**(201)**
Capital Programme Reserve			
In hand at 1st April	(745)	(1,583)	(1,583)
Withdrawal/(Addition)	NIL	NIL	NIL
Allocated For Future Use	500	NIL	NIL
In hand at 31st March	**(245)**	**(1,583)**	**(1,583)**
Regeneration Reserve			
In hand at 1st April	(1,013)	(1,130)	(1,012)
Withdrawal/(Addition)	NIL	67	NIL
Transfer to General Fund Reserve	NIL	NIL	500
Allocated For Future Use	500	51	NIL
In hand at 31st March	**(513)**	**(1,012)**	**(512)**
Devonshire Park Reserve			
In hand at 1st April	NIL	NIL	(1,000)
Withdrawal/(Addition)	NIL	NIL	NIL
Transfer from General Fund Reserve	NIL	(1,000)	NIL
Allocated For Future Use	NIL	NIL	NIL
In hand at 31st March	**NIL**	**(1,000)**	**(1,000)**

	2015/16 Original Budget £'000	2015/16 Revised Budget £'000	2016/17 Budget £'000
Corporate Management	**409**	**373**	**359**
Capital Financing	1,834	1,892	1,834
Corporate Savings - Future Model and Shared Serv	(600)	(452)	(620)
Contingencies	152	134	151
Corporate Services	**1,386**	**1,574**	**1,365**
Financial Services	1,286	1,297	1,364
Corporate Finance	294	314	313
Internal Audit and Corporate Fraud	236	235	236
Strategic Finance	**1,816**	**1,846**	**1,913**
Human Resources	**375**	**375**	**380**
Legal Services	**233**	**231**	**230**
IT and Systems Support	1,650	1,650	1,643
Projects and Performance	77	327	340
Projects, Performance and Technology	**1,727**	**1,977**	**1,983**
Corporate Development	181	169	153
Local Democracy	716	680	704
Corporate Development and Governance	**897**	**849**	**857**
Total Corporate Services	**6,843**	**7,225**	**7,087**

	2015/16 Original Budget £'000	2015/16 Revised Budget £'000	2016/17 Budget £'000
Service Management	**(75)**	**(71)**	**(63)**
Strategy and Commissioning - Community	**54**	**52**	**189**
Head of Customer First	75	76	82
Service Improvement and Development	90	22	NIL
Customer Contact Centre	465	734	856
Specialist Advisory Team	5,863	4,855	4,465
Neighbourhood First Team	434	469	538
Case Management	408	542	615
Account Management	(92)	281	456
Customer First	**7,243**	**6,979**	**7,012**
Breavement Services	**(973)**	**(973)**	**(1,067)**
Total Community Services	**6,249**	**5,987**	**6,071**

Regeneration, Planning Policy and Asset Management **Appendix 1**
Budget 2016/17

	2015/16 Original Budget £'000	2015/16 Revised Budget £'000	2016/17 Budget £'000
Service Management	**100**	**69**	**59**
Regeneration and Planning Policy	**193**	**353**	**419**
Corporate Landlord	(536)	(536)	(572)
Facilities Management	201	200	206
Estates and Property	**(335)**	**(336)**	**(366)**
Total Regeneration, Planning Policy and Assets	**(42)**	**86**	**112**

Tourism & Leisure Services	2015/16 Original Budget £'000	2015/16 Revised Budget £'000	2016/17 Budget £'000
Service Management	104	99	99
Towner	685	679	680
Tourism and Enterprise	659	669	739
Sports Delivery	322	250	270
Seafront	(11)	(11)	(6)
Events	586	601	611
Theatres	740	748	824
Total Tourism & Leisure Services	**3,085**	**3,035**	**3,217**

Proposed Savings

Dept	Service	Proposal	2016/17 Dec Cabinet £'000	2016/17 Feb Cabinet £'000	
Efficiency Savings					
Corporate	All	Future Model Phase 2 full effect	(150)	(150)	
Corporate	All	Shared Services future phases	(250)	(250)	
Corporate	IT	Remove 1 FTE staff	(40)	(40)	*
Corporate	IT	Reduce MS software licensing costs by 10% p.a.	(6)	(6)	
Corporate	IT	Reduce other license costs	(12)	(12)	
Corporate	IT	Lower wifi costs across EBC estate	(5)	(5)	
Community	Bereavement	Possible further Savings to be made from further review of operational practices to optimise cremation capacity.	(5)	(5)	
Tourism & Enterprise	Events	Airbourne display budget reduction	(5)	(5)	
Tourism & Enterprise	Events	Eastbourne extreme core funding reduction	(4)	(4)	
Tourism & Enterprise	Events	Run cycle festival on zero cost basis	(4)	(4)	
Tourism & Enterprise	Events	Run Beer and Cider by the sea on a zero cost basis	(2)	(2)	
Tourism & Enterprise	Events	Run Magnificent Motores on a zero cost basis	(2)	(2)	
	Efficiency Savings Total		**(485)**	**(485)**	
Income Generation					
Corporate	Internal Audit and Fraud	Income from Lewes District Council to cover the Internal Audit Manager working one day a week at Lewes	(10)	(10)	
Corporate	Internal Audit and Fraud	Income for carrying out audit for EHL - offset by extra costs incurred in providing resources for cover	(4)	(4)	
Community	Bereavement	Inflationary Increase in Fees and Charges	(48)	(48)	
Community	Bereavement	Volume increase in income received	0	(25)	
Community	Specialist Advisory Team	New legislation allows Council Tax Penalties against taxpayers who fail to notify a change in circumstances within 21 days (CT liability or CTR scheme)	(1)	(1)	
Tourism & Enterprise	Events	Airbourne Lottery target increase	(5)	(5)	
Tourism & Enterprise	Seafront	Beach Huts additional income	0	(10)	
	Income Generation Total		**(68)**	**(103)**	
		TOTAL SAVINGS	**(553)**	**(588)**	

* Linked savings & growth items

Recurring Growth

Dept	Service	Item	2016/17 Dec Cabinet £'000	2016/17 Feb Cabinet £'000	
Corporate Inflation and unavoidable costs	Corporate	Pay Award	150	150	
	Corporate	Increments (Offset by savings overall in Future Model)	n/a	126	
	Corporate	Inflation on Contracts	100	64	
	Corporate	Living Wage £7.20 per hour from April 2016	40	42	
	Corporate	National Insurance-removal of contracted out reduction (Gross of Recharges)	120	184	
	Corporate	Pensions backfunding based on actuarial calculation	30	30	
	Corporate Inflation and unavoidable costs Total		**440**	**596**	
Changes in Income targets					
Community	Neigbourhood First	Pest control income target	7	7	
Community	Neigbourhood First	Reduced income in Hyde Gardens Car Park due to configuration changes as a result of Town Centre Development Scheme	25	25	
Community	Specialist Advisory Team	Reduction in Council Tax Summons Cost Income due to new legislation	40	40	
	Changes in Income Total		**72**	**72**	
Other Growth					
Corporate	Finance	Insurance increase in Insurance Premium Tax from 6% to 9.5%	14	14	
Corporate	IT	Add Mobile 1 managed service to IT contract	17	17	*
Community	Specialist Advisory Team	DWP Administration Grant (Housing Benefit)	56	63	
Community	Strategy and Commissioning	Grants to Voluntary Organisations to be made recurring	23	23	
Community	Account Management	Civica Mobile number Data Appending Service - Data Cleansing (HLR) Option	1	1	
Community	Neighbourhood First	Annual maintenance budget for new bus shelters to be provided in Cornfield Road as part of the Town Centre Improvement Scheme.	25	0	
Community	Specialist Advisory Team	Increased tree stock in Seaside Recreation Ground	5	5	
	Other Changes Total		**141**	**123**	
		TOTAL PROPOSED RECURRING GROWTH	**653**	**791**	

Dept	Service	Item	2016/17 Dec Cabinet	2016/17 Feb Cabinet
Non Recurring Service Investments				
Corporate	IT	Onboarding new Mobile 1 service	21	21
Corporate	Projects and Performance	Funding for channel shift initiatives	15	15
Community	Strategy and Commissioning	Community Development Partnership- Invest to save. Kick start programme of support and business planning to enable community centres to increase their income and secure funding from external sources and reduce their reliance on EBC support and grants	30	30
Community	Strategy and Commissioning	Community Energy - Invest to save - costs of procurement exercise to create a Special Purpose Vehicle to deliver community energy generation and supply, to generate income and energy resilience.	50	50
Community	Strategy and Commissioning	Fund raising officer - Invest to save. Possible to share with Lewes. Potential to attract much greater investment and grants from external sources to deliver range of regeneration and other schemes	19	0
Community	Strategy and Commissioning	Renewables Officer - Invest to save - proposal for shared post with Lewes, to manage existing Solar PV schemes , and maximise income through the development of business cases for new energy initiatives for both authorities.	19	0
Community	Strategy and Commissioning	Community Safety Partnership Officer (Prevent/Protect)	28	28
Community	Account Management	Council Tax Direct Debit Incentive Promotion	2	2
Community	Account Management	Civica Mobile number Data Appending Service - Data Appending Gold Option	22	22
Community	Neighbourhood First	Recalibration of Downland car park machines for new one pound coins	5	5
Community	Neighbourhood First	Promotions and Preventative actions	5	5
Community	Specialist Advisory Team	Empty Properties Review	20	20
Community	Specialist Advisory Team	Single Person Discount Review	15	15
Community	Specialist Advisory Team	Exceptional Hardship Scheme/Local Council Tax Reduction Scheme	11	11
Community	Specialist Advisory Team	Empty Business Properties	10	10
Community	Specialist Advisory Team	Decoy Pond Biodiversity Action Plan	5	5
Community	Specialist Advisory Team	CIL Software Annual Maintenance charge	6	6
Regeneration	Regeneration and Planning Policy Team	Commission consultants to provide evidence and advice on the review of the Core Strategy Local Plan Policy D4 - Tourism and Culture (in relation to Tourist Accommodation) and meet the costs of the Examination.	15	15
Regeneration	Regeneration and Planning Policy Team	Commission consultants to provide a 'critical friend' service to help in preparation of Sustainability Appraisal for Local Plan Review	5	5
Regeneration	Regeneration and Planning Policy Team	Commission consultants to provide evidence based studies to inform the Local Plan Review (Development Site Viability, Employment Land Review (joint with Wealden DC), Transport Study (joint with Wealden DC)	45	45
Regeneration	Regeneration and Planning Policy Team	Commission consultants to undertake a study to confirm priority and critical sub-sectors and employers for Eastbourne's economy, focusing on growth and retention and use evidence to secure funding at County and SE LEP level	15	15
Regeneration	Regeneration and Planning Policy Team	EBC contribution towards funding for Locate East Sussex to continue to provide support and advice for businesses looking to start up, relocate or grow in East Sussex	35	35
Regeneration	Regeneration and Planning Policy Team	Delivery of Eastbourne Park SPD actions and initiatives Progress - nature reserve and access to land	18	18
Tourism and Enterprise	Seafront Services	Replacement programme for deckchairs	10	10
Tourism and Enterprise	Seafront Services	Defibrillator for the Lifeguard Station	2	2
Tourism and Enterprise	Seafront Services	Tyro Lifeguard Equipment, lifejackets	3	3
Tourism and Enterprise	Events	Aegon International Tennis to address funding shortfall on budget when the licence term/extension was agreed	33	33
Tourism and Enterprise	Events	Aegon International Tennis to fund town advertising /dressing of on street banners flagpoles	10	10
Tourism and Enterprise	Events	Music Live Events	25	25

Dept	Service	Item	2016/17 Dec Cabinet	2016/17 Feb Cabinet
Tourism and Enterprise	Events	Big Screen Presentations	20	20
Tourism and Enterprise	Events	Devonshire Park Core Harvester nb attaches to existing utility vehicles	5	5
Tourism and Enterprise	Events	Devonshire Park Agronomy Tools - Clegg Hammer £1813, Penetrometer £225 Soil Moisture Monitor £806	3	3
Tourism and Enterprise	Events	Cable protection ramps £1300 electric cable £500	2	2
Tourism and Enterprise	Events	Motorola GP 340 radios + chargers	4	4
Tourism and Enterprise	Events	Boefenag VHF radios X 30	2	2
Tourism and Enterprise	Events	Laptop Projector	1	1
Tourism and Enterprise	Events	Road Tracking	8	8
Tourism and Enterprise	Theatres	Devonshire Park Review - Transitional Works Cost on Service	30	30
Tourism and Enterprise	Catering	Big Screen Hire	10	10
Tourism and Enterprise	Sports and Leisure	Preparation for new Contract	n/a	40
		TOTAL NON RECURRING INVESTMENTS	**584**	**586**

* Linked savings & growth items

APPENDIX 3

Summary of Capital Programme 2015 to 2021

	Estimate Total 2015/16	Total 2016/17	Total 2017/18	Total 2018/19	Total 2019/20	Total 2020/21
Capital Programme	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Community Services	7,049	6,547	409	300	300	300
Tourism & Leisure	1,109	55	20	-	-	-
Corporate & Core Services	7,464	3,070	255	255	255	255
Asset Management	3,731	3,150	15,200	19,300	6,100	800
Pier Grant & Coastal Communites	2,562	-	-	-	-	-
Total Programme	**21,915**	**12,822**	**15,884**	**19,855**	**6,655**	**1,355**
Financed By:-						
Capital Receipts	2,378	2,610	9,015	11,455	3,535	355
Grants and Contributions	9,561	8,385	409	300	300	300
Revenue Contribution to Capital	919	275	-	-	-	-
Reserves	245	-	-	-	-	-
Section 106 Contributions	945	-	-	-	-	-
Borrowing	7,867	1,552	6,460	8,100	2,820	700
Total Financing	**21,915**	**12,822**	**15,884**	**19,855**	**6,655**	**1,355**

Scheme	Total Scheme Approved	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
COMMUNITY SERVICES							
Memorial Safety Cems	40,000	34,000					
Digitalise Burial Records	10,000	10,000					
Ocklynge Cemetery Chapel	150,000	144,250					
Main Chapel Refurb - Phase 2	26,000	21,150					
Disabled Facilities Grants (external funding)	Ongoing	769,450	660,000				
BEST Grant (housing initiatives)	Ongoing	60,450	109,000	109,000			
Social Housing Enabling							
Acquisition of Land & Property	8,150,000	3,150,000	5,000,000				
Willingdon Trees Multi Gym	20,000	20,000					
Contaminated Land	185,000	102,000					
Coast Defences Beach Management Strategy	Ongoing	181,150	300,000	300,000	300,000	300,000	300,000
Cycling Strategy	45,000	40,600					
Princes Park	210,000	178,600					
Play Area Sovereign Harbour	27,000	27,000					
Allotment Upgrade	114,000	1,100					
Hampden Park Skate Park	170,000	1,150					
Terminus Road Improvements	500,000	500,000					
CIL - Software	14,000	14,000					
Sov Harbour Community Centre	1,600,000	1,539,900					
Highfield Allotments	25,000	2,150					
BMX Track Hampden Park	46,000	44,850					
Hampden Park Path	25,000	25,000					
Bodiam Cres Play Area Path	20,000	20,000					
Gildredge Park - Toddler Equipment	22,000	22,000					
Shinewater Skate Park	50,000		50,000				
Seaside rec - Play Equipment	60,000		60,000				
Princes Park - Bowls Roof	40,000	40,000					
Hampden Park - Multi Play Unit	50,000	50,000					
Motcombe Pond	50,000	50,000					
Hampden Park - Improvements (Green Flag)	**50,000**		**50,000**				
Old Town Rec. - Improvements (Green Flag)	**25,000**		**25,000**				
Allotments - Improvements	**16,000**		**16,000**				
Seaside Rec - all weather path	**50,000**		**50,000**				
Signage Re-branding (Parks & Open Spaces)	**30,000**		**30,000**				
Tugwell Park - all weather path	**25,000**		**25,000**				
Car Paking Machines	**72,000**		**72,000**				
Public Conveniences Beachy Head	**40,000**		**40,000**				
Public Conveniences Green St	**40,000**		**40,000**				
Shinewater Park - Scoping	**20,000**		**20,000**				
Total Community Services		**7,048,800**	**6,547,000**	**409,000**	**300,000**	**300,000**	**300,000**

Scheme	Total Scheme Approved	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
TOURISM & LEISURE							
Volleyball Court	25,000	23,000					
Signage	40,000	16,100					
Sports Park Flood Lights	30,000	30,000					
Re-surface Tennis Courts	265,000	56,050					
Wish Tower - Catering Outlet	40,000	4,000					
Serco Contract	Ongoing	31,650					
ILTC - Air Conditioning	60,000	60,000					
ILTC - Public Address System	40,000	25,000					
ILTC - Fire Alarm	10,000	10,000					
Sports Park Railings	11,000	11,000					
Redoubt - Stair Climber	20,000	20,000					
Colonnade Removal	500,000	500,000					
Redoubt - Asphalt Gun Platform	50,000	50,000					
HPSC - Changing Rooms	20,000			20,000			
Devonshire Park - Roller	14,000	14,000					
Devonshire Park - Verti Drain Aerator	14,000	14,000					
Devonshire Park - Hollow Corer	15,000	1,750					
Devonshire Park - Grounds Van	7,500	7,500					
New Beach Huts	235,240	235,250					
ILTC Showers	**25,000**		**25,000**				
Equipment at Devonshire Park	**20,000**		**20,000**				
Old Ticket Pavillion refurbishment	**10,000**		**10,000**				
Total Tourism & Leisure		**1,109,300**	**55,000**	**20,000**	**0**	**0**	**0**
CORPORATE & CORE SERVICES							
Carbon Reduction Works	467,500	467,500					
Invest to Save	80,000	72,500	80,000	80,000	80,000	80,000	80,000
Future Model Phase 2	2,990,000	651,150	550,000				
Investment Capital	5,750,000	2,300,000	2,300,000				
Sovereign Harbour Innovation Mall	1,400,000	1,400,000					
Solar Panels (2nd Programme)	500,000	196,200					
IT - Block Allocation	Ongoing	526,250	140,000	175,000	175,000	175,000	175,000
EHIC - Loan (Seaside)	1,850,000	1,850,000					
EHIC - Loan (13 The Avenue)							
Total Corporate & Core Services		**7,463,600**	**3,070,000**	**255,000**	**255,000**	**255,000**	**255,000**
Asset Management							
Devonshire Park Project	**44,000,000**	**2,300,000**	**2,300,000**	**14,700,000**	**18,800,000**	**5,600,000**	**300,000**
Congress Theatre redesign & restoration	1,950,000	840,700					

Scheme	Total Scheme Approved	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Thatched Shelters - re-roofing	23,600	25,000					
Brick Shelters	65,000		50,000				
Royal Hippodrome Theatre (Phase 2)	127,000		127,000				
Devonshire Park Theatre - rendering	995,000	411,750	583,000				
Motcombe Dovecot	17,000	18,500					
Town Hall Community Hub	20,000	20,000					
Downland Pipe replacement	70,000	70,000					
Shinewater Boiler replacement	45,000	45,000					
Asset Management - Block Allocation	Ongoing		89,870	500,000	500,000	500,000	500,000
Total Asset Management		**3,730,950**	**3,149,870**	**15,200,000**	**19,300,000**	**6,100,000**	**800,000**
Pier Grant & Coastal Communities Grant							
Wish Tower Restaurant	**1,200,000**	1,200,000					
Replace staircase to Camera Obscura	**65,000**	65,000					
Statue Sculpture Installation	**22,000**	22,000					
Princes Park - Café Refurbishment	**394,556**	394,556					
Princes Park - Public Realm Work	**512,359**	430,487					
Sea Houses Sq - Plaza Improvements	**169,500**	148,823					
Sea Houses Sq 1-5 Seaside Refurb	**65,543**	65,543					
Seaside Rd - Elms Bdg Façade	**172,826**	167,083					
Seaside Rd - 67-69 Seaside refurb	**68,687**	68,687					
		2,562,180	**0**	**0**	**0**	**0**	**0**
GENERAL FUND TOTAL		**21,914,830**	**12,821,870**	**15,884,000**	**19,855,000**	**6,655,000**	**1,355,000**

BODY: **CABINET**

DATE: **3 February 2016**

SUBJECT: **Treasury Management and Prudential Indicators 2016/17**

REPORT OF: **Chief Finance Officer**

Ward(s): All

Purpose: To approve the Council's Annual Treasury Management Strategy together with the Treasury and Prudential Indicators for the next financial year.

Decision Type Key decision

Contact: Alan Osborne, Chief Finance Officer, Financial Services Telephone Number 01323 415149.

Recommendations: Members are asked to recommend to Council;

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

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

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

iv) The Specified and Non-specified Investment categories listed in Appendix 2.

1.0 Introduction

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

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

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

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

2.0 THE CAPITAL PRUDENTIAL INDICATORS 2014/15 – 2018/19

2.1 Capital Expenditure

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

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

The capital expenditure forecasts for the Council are:

Capital Expenditure £m	2014/15 Actual	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Non-HRA	9.6	21.9	12.8	15.9	19.9
HRA	7.7	9.6	7.6	4.2	4.2
Total	17.3	31.5	20.4	20.1	24.1
Financed by:					
Capital receipts	2.0	5.2	4.0	9.0	11.5
Capital grants	2.7	10.1	8.9	0.4	0.3
Capital reserves	3.6	6.3	4.1	4.2	4.2
Revenue	2.1	0.9	0.3	0.0	0.0
Net borrowing needed for year	**6.9**	**9.0**	**3.1**	**6.5**	**8.1**

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

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

Following accounting changes the CFR includes other long term liabilities (e.g. Serco, finance leases) brought onto the balance sheet. Whilst this increases the CFR, and therefore the Council's borrowing requirement, these types of scheme already include a borrowing facility and the Council is not required to separately borrow for them. There are currently £1.1m of such schemes within the CFR.

The Council is asked to approve the CFR projections below:

£m	2014/15 Actual	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Capital Financing Requirement					
CFR – non housing	27.9	34.7	34.9	39.8	46.5
CFR - housing	40.3	41.4	43.1	43.1	43.1
Total CFR	**68.2**	**76.1**	**78.0**	**82.9**	**89.6**
Movement in CFR	**5.7**	**7.9**	**1.9**	**4.9**	**6.7**

Movement in CFR represented by					
Net financing needed for the year (above)	6.9	9.0	3.1	6.5	8.1
Less MRP and other financing movements	(1.2)	(1.1)	(1.2)	(1.6)	(1.4)
Movement in CFR	**5.7**	**7.9**	**1.9**	**4.9**	**6.7**

Note the MRP includes Serco repayments.

2.3 MRP Policy Statement

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

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

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

No revenue charge is currently required for the HRA. However the HRA is required to charge depreciation on its assets, which will have a revenue effect. In order to address any possible adverse impact, regulations allow the Major Repairs Allowance to be used as a proxy for depreciation until 2017/18.

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

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

2.4 **Affordability Prudential Indicators**

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

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

%	2014/15 Actual	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Non-HRA	7.1	8.1	10.5	12.9	12.3
HRA	11.8	11.6	11.9	12.6	12.5

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

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

£	2014/15 Actual	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Council Tax - B**and D**	0.84	3.75	8.54	11.52	(3.07)

The increase in 2015/16 onwards is attributable to the additional borrowing and increased MRP.

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

£	2014/15 Actual	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Weekly housing rent levels	(0.33)	(0.55)	(0.33)	0.56	(0.09)

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

3.0 TREASURY MANAGEMENT STRATEGY

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

3.1 Current Portfolio Position

The Council's treasury portfolio position at 31 March 2015, with forward projections, are summarised below. The table shows the actual external borrowing (the treasury management operations), against the capital borrowing need (the Capital Financing Requirement - CFR), highlighting any under borrowing (ie the use of revenue cash balances referred to as internal balances).

£m	2014/15 Actual	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
External borrowing					
Borrowing at 1 April	41.2	48.0	52.0	55.2	61.7
Expected change in borrowing	6.8	4.0	3.2	6.5	8.1
Other long-term liabilities (OLTL)	1.3	1.3	1.1	0.8	0.5
Expected change in OLTL	0.0	(0.2)	(0.3)	(0.3)	(0.4)
Actual gross borrowing at 31 March	**49.3**	**53.1**	**56.0**	**62.2**	**69.9**
CFR – the borrowing need	68.2	76.1	78.0	82.9	89.6
Use of internal balances	18.9	23.0	22.0	20.7	19.7
Investments	0.0	0.0	0.0	0.0	0.0
Net borrowing	**49.3**	**53.1**	**56.0**	**62.2**	**69.9**

Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well defined limits. One of these is that the Council needs to ensure that its gross borrowing does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2015/16 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

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

3.2 **Treasury Indicators: Limits to Borrowing Activity**

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

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

Operational boundary £m	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Borrowing	75.0	77.2	82.4	89.5
Other long term liabilities	1.1	0.8	0.5	0.1
Total	76.1	78.0	82.9	89.6

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

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

Authorised limit £m	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Borrowing	90.0	92.2	97.4	104.5
Other long term liabilities	1.1	0.8	0.5	0.1
Total	91.1	93.0	97.9	104.6

Separately, the Council is also limited to a maximum HRA CFR through the HRA self-financing regime of £43.3m. This limit, included in the authorised limits above, is currently:

HRA Debt Limit £m	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Total	41.4	43.3	43.3	43.3

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

3.3 **Prospects for Interest Rates**

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

Capita Asset Services Interest Rate View

	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19
Capita Asset Services View	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.50%	1.50%	1.75%	1.75%	2.00%	2.00%	2.00%
5yr PWLB Rate	2.30%	2.40%	2.60%	2.70%	2.80%	2.80%	2.90%	3.00%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%
10yr PWLB View	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.10%
25yr PWLB View	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.10%	4.20%	4.30%	4.30%	4.40%	4.40%	4.40%	4.50%
50yr PWLB Rate	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.00%	4.10%	4.20%	4.20%	4.30%	4.30%	4.30%	4.40%

Investment returns are likely to remain relatively low during 2016/17 and beyond.

Borrowing interest rates have been highly volatile during 2015 as alternating bouts of good and bad news have promoted optimism, and then pessimism, in financial markets. Gilt yields have continued to remain at historically phenominally low levels during 2015. The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in later times, when the Council will not be able to avoid new borrowing to finance new capital expenditure and/or to refinance maturing debt.

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

A detailed view of the Econcomic forecast is set out at Appendix 1.

3.4 **Borrowing Strategy**

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

There is an underlying need to borrow in the future to support capital expenditure and new external borrowing will be required by the end of this year. Rates are currently being monitored and new borrowing will be taken when the rates are advantageous either as long term debt or temporary borrowing. Against the current econcomic background and the risks within the economic forecast, caution will be adopted with the 2016/17 treasury operations. The Chief Finance Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.

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

3.5 **Treasury Management Limits on Activity**

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

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

	2016/17	2017/18	2018/19
Interest rate Exposures			
	Upper	**Upper**	**Upper**
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	25%	25%	25%

Maturity Structure of fixed interest rate borrowing 2016/17		
	Lower	**Upper**
Under 12 months	0%	25%
12 months to 2 years	0%	50%
2 years to 5 years	0%	75%
5 years to 10 years	0%	100%
10 years and above	0%	100%

3.6 **Policy on Borrowing in Advance of Need**

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

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

3.7 **Debt Rescheduling**

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

Debt scheduling will only be considered under the following circumstances:

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

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

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

3.8 **Municipal Bond Agency**

It is likely that the Municipal Bond Agency, currently in the process of being set up, will be offering loans to local authorities in the near future.

It is also hoped that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). This Authority intends to make use of this new source of borrowing as and when appropriate.

3.9 **ANNUAL INVESTMENT STRATEGY**

3.9.1 **Investment Policy**

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

After this main principle the Council will ensure:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the Specified and Non-Specified investment at appendix 2 and
- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

3.9.2 **Creditworthiness Policy**

In order to minimise the risk to investments, the Council has clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list as set out in at Appendix 3 . The aim is to generate a list of highly creditworthy counterparties which will also enable diversification and thus avoidance of concentration risk.

Credit rating information is supplied by Capita, the Council's treasury consultants, on all active counterparties that comply with the criteria at Appendix 3. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing.

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

The Chief Finance Officer will maintain a counterparty list in compliance with the criteria set out in Appendix 3 and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either Specified or Non-Specified as it provides an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

The Local Authority Mortgage Scheme (LAMS) –

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

Time and monetary limits applying to investments.

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

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

The proposed criteria for Specified and Non-Specified investments are shown in Appendix 2 for approval.

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

Non treasury management investments

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

Investment	Facility	Int Rate
CloudConnX	357,000	2.00%
WEL	1,150,000	8%-10%
Eastbourne Housing Investment Co Ltd - Term Loan	1,850,000	4.50%
Eastbourne Housing Investment Co Ltd - Credit Facility	50,000	2%+Base
Seachange (Site 6 Sov Harbour)	850,000	5.00%
Seachange (Sov Harbour Innovation Mall)	1,400,000	5.00%

3.9.3 **Investment Strategy**

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

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

- 2016/2017 1.00%
- 2017/2018 1.75%
- 2018/2019 2.00%

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

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

2016/2017	0.90%
2017/2018	1.50%
2018/2019	2.00%

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

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

Maximum principal sums invested > 364 days			
£m	**2016/17**	**2017/18**	**2018/19**
Principal sums invested > 364 days	£2.0m	£2.0m	£2.0m

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

3.9.6 **End of year investment report**

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

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

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

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

4.0 Resource Implications

All implications have been factored into the 2016/17 budget setting process.

Alan Osborne
Chief Finance Officer

Background Papers:

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

CIPFA Treasury Management in the Public Services code of Practice (the Code)
Cross-sectorial Guidance Notes
CIPFA Prudential Code
Treasury Management Strategy and Treasury Management Practices adopted by the Council on 18 May 2010.
Council Budget 3 February 2016
Finance Matters and Performance Monitoring Reports 2015.

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

APPENDIX 1 Economic Background

UK. UK GDP growth rates in 2013 of 2.2% and 2.9% in 2014 were the strongest growth rates of any G7 country; the 2014 growth rate was also the strongest UK rate since 2006 and the 2015 growth rate is likely to be a leading rate in the G7 again, probably being second to the US. However, quarter 1 of 2015 was weak at +0.4% (+2.9% year over year) though there was a rebound in quarter 2 to +0.7% (+2.4% year over year) before weakening again to +0.5% (2.3% year over year) in quarter 3. The November Bank of England Inflation Report included a forecast for growth to remain around 2.5 – 2.7% over the next three years, driven mainly by strong consumer demand as the squeeze on the disposable incomes of consumers has been reversed by a recovery in wage inflation at the same time that CPI inflation has fallen to, or near to, zero since February 2015. Investment expenditure is also expected to support growth. However, since the August Inflation report was issued, most worldwide economic statistics have been weak and the November Inflation Report flagged up particular concerns for the potential impact on the UK.

The Inflation Report was also notably subdued in respect of the forecasts for inflation; this was expected to barely get back up to the 2% target within the 2-3 year time horizon. The increase in the forecast for inflation at the three year horizon was the biggest in a decade and at the two year horizon was the biggest since February 2013. However, the first round of falls in oil, gas and food prices over late 2014 and also in the first half 2015, will fall out of the 12 month calculation of CPI during late 2015 / early 2016 but a second, more recent round of falls in fuel prices will now delay a significant tick up in inflation from around zero: this is now expected to get back to around 1% in the second half of 2016 and not get to near 2% until 2017, though the forecasts in the Report itself were for an even slower rate of increase. There is considerable uncertainty around how quickly pay and CPI inflation will rise in the next few years and this makes it difficult to forecast when the MPC will decide to make a start on increasing Bank Rate.

USA. The American economy made a strong comeback after a weak first quarter's growth at +0.6% (annualised), to grow by no less than 3.9% in quarter 2 of 2015, but then pulled back to 2.1% in quarter 3. The run of strong monthly increases in nonfarm payrolls figures for growth in employment in 2015 has prepared the way for the Fed. to embark on its long awaited first increase in rates of 0.25% at its December meeting. However, the accompanying message with this first increase was that further increases will be at a much slower rate, and to a much lower ultimate ceiling, than in previous business cycles, mirroring comments by our own MPC.

EZ. In the Eurozone, the ECB fired its big bazooka in January 2015 in unleashing a massive €1.1 trillion programme of quantitative easing to buy up high credit quality government and other debt of selected EZ countries. This programme of €60bn of monthly purchases started in March 2015 and it is intended to run initially to September 2016. This appears to have had a positive effect in helping a recovery in consumer and business confidence and a start to an improvement in economic growth. GDP growth rose to

0.5% in quarter 1 2015 (1.0% year over year) but came in at +0.4% (+1.5% year over year) in quarter 2 and +0.3% in quarter 3. However, this lacklustre progress in 2015 together with the recent downbeat Chinese and emerging markets news, has prompted comments by the ECB that it stands ready to strengthen this programme of QE by extending its time frame and / or increasing its size in order to get inflation up from the current level of around zero towards its target of 2% and to help boost the rate of growth in the EZ.

Greece. During July, Greece finally capitulated to EU demands to implement a major programme of austerity and is now cooperating fully with EU demands. An €86bn third bailout package has since been agreed though it did nothing to address the unsupportable size of total debt compared to GDP. However, huge damage has been done to the Greek banking system and economy by the resistance of the Syriza Government, elected in January, to EU demands. The surprise general election in September gave the Syriza government a mandate to stay in power to implement austerity measures. However, there are major doubts as to whether the size of cuts and degree of reforms required can be fully implemented and so Greek exit from the euro may only have been delayed by this latest bailout.

Portugal and Spain. The general elections in September and December respectively have opened up new areas of political risk where the previous right wing reform-focused pro-austerity mainstream political parties have lost power. A left wing / communist coalition has taken power in Portugal which is heading towards unravelling previous pro austerity reforms. This outcome could be replicated in Spain. This has created nervousness in bond and equity markets for these countries which has the potential to spill over and impact on the whole Eurozone project.

CAPITA ASSET SERVICES FORWARD VIEW

Economic forecasting remains difficult with so many external influences weighing on the UK. Capita's Bank Rate forecasts, (and also MPC decisions), will be liable to further amendment depending on how economic data evolves over time. Capita Asset Services undertook its last review of interest rate forecasts on 9 November 2015 shortly after the publication of the quarterly Bank of England Inflation Report. There is much volatility in rates and bond yields as news ebbs and flows in negative or positive ways. This latest forecast includes a first increase in Bank Rate in quarter 2 of 2016.

The overall trend in the longer term will be for gilt yields and PWLB rates to rise when economic recovery is firmly established accompanied by rising inflation and consequent increases in Bank Rate, and the eventual unwinding of QE. Increasing investor confidence in eventual world economic recovery is also likely to compound this effect as recovery will encourage investors to switch from bonds to equities.

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

However, the overall balance of risks to Capita's Bank Rate forecast is probably to the downside, i.e. the first increase, and subsequent increases, may be delayed further if recovery in GDP growth, and forecasts for inflation increases, are lower than currently expected. Market expectations in November, (based on short sterling), for the first Bank Rate increase are currently around mid-year 2016.

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

- Geopolitical risks in Eastern Europe, the Middle East and Asia, increasing safe haven flows.
- UK economic growth turns significantly weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU, US and China.
- A resurgence of the Eurozone sovereign debt crisis.
- Recapitalisation of European banks requiring more government financial support.
- Emerging country economies, currencies and corporates destabilised by falling commodity prices and / or the start of Fed. rate increases, causing a flight to safe havens

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

- Uncertainty around the risk of a UK exit from the EU.
- The commencement by the US Federal Reserve of increases in the Fed. funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.

UK inflation returning to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields

APPENDIX 2 - Specified and Non-Specified Investments and Limits

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

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

Term deposits with nationalised banks and banks and building societies

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

Eastbourne Borough Council uses Capita's credit worthiness service which overlays colour bandings to determine the maximum length of any investment. See Appendix 3 for further detail.

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

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

Maturities in excess of 1 year

	Minimum Credit Criteria	Max % of total investments	Max. maturity period
Term deposits – local authorities	--	£2m with any institution	2 years
Term deposits – banks and building societies	Green	£2m with any institution	2 years
Certificates of deposit issued by banks and building societies covered by UK Government (explicit) guarantee	UK sovereign rating	£2m with any institution	2 years
Certificates of deposit issued by banks and building societies	Green	£2m with any institution	2 years
UK Government Gilts	UK sovereign rating	£2m with any institution	2 years
Bonds issued by multilateral development banks	AAA	£2m with any institution	2 years
Sovereign bond issues (other than the UK govt)	AAA	£2m with any institution	2 years
Collective Investment Schemes structured as Open Ended Investment Companies (OEICs)			
1. Bond Funds	Long-term AA- volatility rating	£2m with any institution	2 years
2. Gilt Funds	Long-term AA- volatility rating	£2m with any institution	2 years
3. Property Funds	Long-term AA- volatility rating	£5m with any institution	

Local Authority Mortgage Scheme.

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

APPENDIX 3 – Creditworthiness Policy

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

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

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

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

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

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

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

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

BODY: **CABINET**

DATE: **3 February 2016**

SUBJECT: **HRA Revenue Budget and Rent Setting 2016/17 and HRA Capital Programme 2015/19**

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

Ward(s): All

Purpose: To agree the detailed HRA budget proposals, rent levels, service charges and heating costs for 2016/17, and the HRA Capital Programme 2015/19.

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

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

i) The HRA budget for 2016/17 and revised 2015/16 as set out in **Appendix 1.**

ii) That social and affordable rents are decreased by 1% in line with a change in government policy;

iii) That service charges for general needs properties are increased by 1.06%;

iv) That service charges for the Older Persons Sheltered Accommodation are decreased by 7.14% to reflect a reduction in actual costs as well as notification of a reduction in heating and water costs;

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

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

vii) Garage rents are increased in line with RPI (as at September 2015) plus 1% at an average increase of 1.8%;

viii) A scheme to move new garage tenancies to market rent values for the 2017/18 financial year is examined;

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

x) The HRA Capital Programme as set out in **Appendix 2.**

1.0 Introduction

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

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

1.3 A report was submitted to the December Cabinet meeting outlining the implications of the changes being introduced in the Housing and Planning and the Welfare Reform and Work Bills. Work is ongoing on updating the HRA 30 year Business Plan so that a long term sustainable plan can be set. The proposals included in this report are based on this ongoing work.

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

2.0 2016/17 HRA Revenue Budget

2.1 The 2016/17 budget has been prepared following the principles adopted within the HRA 30 year Business Plan and is attached at **Appendix 1**.

2.2 The 2016/17 budget is showing a surplus of (£293k) which is due to a number of favourable factors as listed below.

2.3 The major changes between the 2015/16 and the 2016/17 budgets are:

Income increases and expenditure reductions:

- Interest paid due to replacement loans at lower rates (£84k)
- Reduction in management fee (see paragraph 9 below) (£56k)
- Depreciation charge (based on cost per property) (£99k)
- Efficiency savings from FM2 (£36k)
- Full year effect of new insurance contract (£25k)

Increase in Expenditure and income reductions:

- 1% rent reduction £108k
- Contribution to Housing Regeneration and Investment Reserve £140k.

2.4 The HRA budget is performing better than expected in the 30 year business plan due to various initiatives to control expenditure, including a reduction in the management fee payable to EHL, lower than anticipated interest rates, and efficiencies achieved from FM2. The reduction on income earnings from rents and service charges are in line with the updated business plan.

2.5 The 30 year business plan forecast a contribution into the Housing Regeneration and Investment Reserve of £784,000 for 2015/16 and £924,200 for 2016/17 to meet future major works demands and other strategic housing related outcomes.

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

2.7 The HRA debt outstanding at 31.3.15 was £40.3m rising to £43.0m by 31.3.18 the majority of which will be external debt and at fixed interest rates. The increase in borrowing of £2.7m is expected to be undertaken to support the HEDP programme. The additional interest payable from this borrowing will be funded from the additional rental as the properties are let. The Council's treasury management advisors are predicting that the currently low levels of interest rates will continue into 2016/17 and the interest budget has been prepared on this basis.

2.8 Under the self-financing settlement the government set a cap on total HRA borrowing of £42.96m, additional borrowing permission was given for £322,400 during 14/15 and 15/16 increasing the cap to £43.3m.The original 30 year Business Plan assumes from 16/17 to 28/29 that an average debt repayment of £2.8m per annum is funded from the HRA Revenue Account. This is no longer viable due the rent decrease and other government housing initiatives however if possible when opportunities arise consideration will be given to using any surplus funds for the repayment of debt or to be used to reinvest in housing properties in lieu of new borrowing.

2.9 The HRA outturn for 2015/16 is expected to deliver a (£399) surplus, a positive variance of (£104k) over the original budget (0.71% of gross expenditure). This is mainly as a result of the decrease in the take up of the under occupation scheme (£46k) and a reduction in the provision required for bad debts (46K).

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

The Balances on the HRA and Reserves are as follows:

	HRA £'000	MRR £'000	Housing Regeneration & Investment Reserve £'000
Balance at 1.4.15	3,150	0	868
Surplus	399		
Revenue Contribution			784
Depreciation		4,211	
Major Works expenditure		(4,211)	(868)
Estimated Balance 31.3.16	3,549	0	784
Surplus/(Deficit)	293		
Revenue Contribution			924
Depreciation		4,112	
Major Works expenditure		(4,112)	
Estimated Balance 31.3.17	3,842	0	1,708

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

3.0 Rent Levels for 2016/17

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

3.2 The Government's Summer budget review included the announcement that rents on social housing properties will be reduced by 1% a year for each of the four years from 2016-17. Although not formally incorporated in legislation to date, the policy is included within the Welfare Reform and Work Bill that is currently being debated by Parliament. The final bill is due to enter the House of Lords towards the end of January 2016.

3.3 Clause 19 of the new legislation requires local authorities and other registered providers to reduce social housing rents by 1% per year for four years from April 2016. Once the new policy is in legislation, local authorities and other registered providers will have a statutory obligation to implement the policy.

3.4 The base line rent for calculation of the rent reduction in the financial year commencing 4th April 2016 is the rent applicable on the 8th July 2015.

3.5 The Social Rent Guidance which was introduced in April 2002, created a 'formula rent' for each property based upon the value of the property, local income levels and the size of the property. The Council and other social landlords were expected to move the actual rent of a property (which may be lower or higher than the formula rent) to the formula rent over time. It is not clear whether the 1% reduction applies to the Formula Rent calculation but given the aim of the policy is to reduce the burden on the welfare budget we expect that it will. This will impact on the re-lets at formula rent of properties that become void.

3.6 At the 2010 Spending Review, the Government also introduced "affordable rent". The Government's policy is that landlords can let property at affordable rent (up to 80% of local market rent, including service charges) where they have in place an agreement with the Homes and Communities Agency. The government guidance for affordable rents states that affordable rents will also be reduced by 1% in line with the new legislation.

3.7 Rents for Shared Ownership properties are excluded from the Welfare Reform and Work bill guidance. However, the terms of the lease for these properties determine that we should reduce their rents in line with the socially rented properties.

4.0 Service Charges

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

4.2 For general needs properties in blocks the average service charge increase is 1.06% to ensure that costs relating to communal areas are fully recovered.

4.3 Service charges for Older Persons Sheltered Accommodation will be subject to a further review dependent on the outcome of the East Sussex County Council decision in February regarding the proposal to withdraw Supporting People funding from sheltered housing in East Sussex. If funding is withdrawn, this is likely to come into effect from May 2016. Eastbourne Homes Ltd is consulting with residents on the impact of withdrawal of funding and meetings are being held at all schemes during February 2016. Any recommendations for any further change to the service charge as a result of the consultation will come to Cabinet in March 2016 for approval. Until further recommendations are made, the average decrease is 7.14% to ensure that charges reflect expenditure.

5.0 Heating costs - Older Persons Sheltered Accommodation

5.1 These charges are set in line with known price decreases predicted by the Department of Energy and Climate Control. For 2016/17, it is recommended that the average charge decrease is 0.85%. This is an average decrease of 6p per week for tenants that pay these charges.

6.0 Water Charges

6.1 These charges are also set in line with the known price decrease predicted by the Department of Energy and Climate Control. For 2016/17, it is recommended that the average charge decrease is 0.81%. This is an average decrease of 37p per week for tenants that pay these charges.

7.0 Garage Rents

7.1 Following the previous year's rent increases, garage void debt is slowly increasing again and the number of garage voids has started to increase.

7.2 Major repairs on garages are still outstanding from the start of the year and in order for these to be completed it is recommended that an increase in garage rent is levied.

7.3 When benchmarking garage rent costs with other authorities, it was found that Lewes set their new garage tenancies at market rent values. This has allowed Lewes to renovate their garage sites and provide newly refurbished stock to encourage increases in garage rental.

7.4 In order to ensure that garage rents are fully self-sufficient, an increase by CPI plus 1% would result in covering the costs of day to day repairs but the major works would still not be covered. It is therefore recommended that Garage rents are increased in line with RPI (as at September 2015) plus 1% at an average increase of 1.8% and a scheme to move new garage tenancies to market rent values for the 2017/18 financial year is examined.

8.0 HRA Capital Programme 2016/17 to 2018/19

8.1 The Capital Programme as set out in **Appendix 2** has been prepared to meet the Council's strategies, as adjusted to reflect the availability of resources. Total budgeted expenditure for 2016/17 is £7,712,285.

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

8.3 Cabinet has agreed a total budget of £14.4m for the Housing and Economic Development Programme out of the original allowance of £20m. This has now been profiled to reflect the expected spending timetable and will be funded from borrowing, capital receipts and HCA grant.

9.0 Eastbourne Homes Management Fee

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

9.2 The fee for 2015/16 was set at £7,375,000. Eastbourne Homes Limited has proposed a reduction of £55,500 to reflect the efficiency savings achieved following the implementation of the Future Model structure and processes less an allowance for the changes expected from the supporting people funding. The proposed fee for 2016/17 is therefore £7,319,500.

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

10.0 Consultation

10.1 The rent decrease reflects the new government guidance being proposed in the Welfare Reform and Work Bill. The information from this report will be sent to the Area Panels for their information following the Cabinet meeting.

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

11.0 Implications

11.1 Financial and Human Resources

The council has taken a pro-active approach to the propels within clause 19 of the Welfare Reform and work Bill which is expected to be implemented from April 2016. There are no staffing implications arising out of this report.

11.2 Environmental

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

11.3 Economic

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

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

12.0 Conclusions

12.1 The HRA Revenue Budget has been produced based on the policies set out in the HRA 30 year Business Plan and is showing an overall surplus of £293k for 2016/17. This is mainly due to a number of favourable factors, including savings from Treasury Management activities on borrowing, efficiency savings form FM2, and a reduction in the management fee. These have however been offset against loss of income from the proposed rent decrease.

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

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

12.4 Garage rents are recommended to increase in line with RPI plus 1% at an average increase of 1.8% and a scheme is examined to move new garage tenancies to market rent in the future.

12.5 Total budgeted expenditure on the HRA Capital Programme is planned at £7,7m for 2016/17, £4.1m for 2017/18 and £4.2m for 2018/19. The major works element of the programme is in line with the asset management plan and the HRA business plan model.

Pauline Adams
Financial Services Manager

Background Papers:

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

HRA 2016/17 Budget working papers held by Eastbourne Council and Eastbourne Homes Ltd.
HRA Self Financing 30 year Business Plan.

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

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HOUSING REVENUE ACCOUNT

2015-16 Original Budget £' 000	2015-16 Revised Budget £'000		2016-17	BUDGET £' 000
		INCOME		
(14,710)	(14,777)	Gross Rents	(14,580)	
(1,037)	(982)	Charges for Services	(1,006)	
(15,747)	(15,759)	**GROSS INCOME**		(15,586)
		EXPENDITURE		
7,375	7,375	Management Fee	7,319	
1,060	1,014	Supervision and Management	1,002	
126	81	Provision for Doubtful Debts	126	
4,212	4,212	Depreciation and Impairmant of Fixed Assets	4,113	
12,773	12,682	**GROSS EXPENDITURE**		12,560
(2,974)	(3,077)	**NET COST OF SERVICES**		(3,026)
1,896	1,896	Loan Charges - Interest		1,831
(2)	(2)	Interest Receivable		(22)
(1,080)	(1,183)	**NET OPERATING SURPLUS**		(1,217)
784	784	Transfer to Reserves		924
(296)	(399)	**HOUSING REVENUE ACCOUNT (SURPLUS) / DEFICIT**		(293)
		HOUSING REVENUE ACCOUNT WORKING BALANCE		
(3,116)	(3,150)	In Hand at 1st April		(3,549)
(296)	(399)	Transfer (To)/ From Working Balance		(293)
(3,412)	(3,549)	In Hand at 31st March		(3,842)

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HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME 2015/16 - 2018/19					
Scheme	**Approved Budget 2015/16**	**Revised Budget 2015/16**	**2016/17**	**2017/18**	**2018/19**
Managed By Eastbourne Homes					
Major Works	3,766,000	4,999,750	4,072,650	4,123,900	4,165,500
Adaptations	412,000				
Environmental Improvements	80,000	80,000	40,000	40,000	40,000
	4,258,000	**5,079,750**	**4,112,650**	**4,163,900**	**4,205,500**
House Rescue Emergency Fund	200,000	200,000	-	-	-
Empty Homes Programme Ph1					
1-4 Arch Mews	-	10,900	-	-	-
67 Langney Road	-	2,900	-	-	-
3 St Aubyns Road	-	9,600	-	-	-
F2, 20 Bourne Street	-	15,700	-	-	-
New Build Phase 1					
Coventry Court	873,704	975,900	-	-	-
Belmore & Longstone Road	692,683	1,003,294	-	-	-
Tenterden Close	346,342	-	-	-	-
New Build Phase 2					
Sumach Close	400,000	400,000	1,315,425	-	-
Glynde	472,000	538,549	-	-	-
Glynde Ave Bungalow	98,988	-	-	-	-
Rodmill	100,000	100,000	817,610	-	-
Fort Lane	362,095	378,887	-	-	-
Swan Laundry	320,000	-	-	-	-
Empty Homes Programme Ph2					
Unallocated Balance	1,544,700	-	1,466,600	-	-
1-5 Seaside	-	382,054	-	-	-
67-69 Seaside Road	-	154,740	-	-	-
62a Tideswell Road	-	316,727	-	-	-
Total HRA Capital Programme	**9,668,512**	**9,569,001**	**7,712,285**	**4,163,900**	**4,205,500**
Funded by:					
Borrowing	2,403,359	1,150,508	1,646,710		
Government Grant	600,600	546,112	545,000		
Capital Receipts inc. RTB	2,406,553	2,792,631	1,407,925		
Major Repairs Reserve	4,106,970	4,211,750	4,112,650	4,163,900	4,205,500
S106 Contributions	-	-			
Revenue contributions from HRA	-	-			
Reserves	151,030	868,000			
Total Financing	**9,668,512**	**9,569,001**	**7,712,285**	**4,163,900**	**4,205,500**

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Body: **Cabinet**

Date: **3rd February 2016**

Subject: **Changes to Housing Strategy and HRA Asset Management Strategy**

Report of: **Ian Fitzpatrick, Senior Head of Community**

Ward(s) All

Purpose: To provide an update on national policy changes for Council housing arising from the Welfare Reform and Work Bill and the Housing & Planning Bill currently before Parliament. To approve the sale of a number of housing properties; and in advance of the Bills becoming law, approve changes to the delegation for disposal of Assets to enable Eastbourne's housing stock to be managed sustainably and in line with national best practice.

The report also seeks Cabinet authority to obtain external specialist advice to assist the review of homelessness decisions when considering applications for accommodation under Part 7 of the Housing Act 1996.

Recommendation(s): 1. That Cabinet grant delegated authority to the Senior Head of Community–

(i) To dispose of 7 properties as identified in the confidential appendix 1.

(ii) To dispose of the freehold of the properties to existing occupiers as identified in appendix 2.

(iii) To approve the use of external specialist advice, where necessary, to conduct homelessness reviews under Part 7 of the Housing Act 1996.

2. That Cabinet approve a loan on market terms to Eastbourne Housing Investment Company Ltd (EHICL) to enable the company to purchase the properties listed in appendix 3.

3. That Cabinet approves the amendment to the Scheme of Delegations to the Senior Head of Community as set out at paragraph 7 below.

Contact: Jess Haines, Senior Specialist Advisor - Housing,
Telephone 01323 410000 or internally on extension 6441.
E-mail address jessica.haines@eastbourne.gov.uk

1.0 Background/Introduction

1.1 The Government's Summer budget that was presented to Parliament on 8 July 2015 included several policies that have significant implications for social housing.

1.2 The Welfare Reform and Work Bill (published on 13th July 2015, and currently at Committee Stage in the House of Lords) contains recommendations including the introduction of a 1% reduction in social housing rents for four years from 2016/17. This is detailed in the Housing Revenue Account (HRA) rent setting report.

1.3 The Housing and Planning Bill (published on 13th October 2015, and currently at Committee Stage in the House of Lords) contains recommendations regarding:

- The sale of council housing high value assets;
- Pay to Stay: the mandatory introduction of higher rents for residents earning higher incomes.

1.4 The impact of these recommendations was highlighted in the HRA business plan report to Cabinet in December 2015.

2.0 The Housing and Planning Bill

2.1 **Sale of council housing high value assets.**

Clause 62 of the Housing and Planning Bill refers to local authorities being required to make a payment to the Government, representing the market value of the high value stock that is estimated to become vacant during the year. It is likely therefore that Local authorities will be required to make upfront payments based on assumptions about the number of their high value properties that will become void.

2.2 The intention is that monies raised from high value voids will be used to fund the Right to Buy discounts given to Housing Association tenants, provide replacement affordable housing on a one for one basis, and establish a Brownfield Regeneration Fund.

2.3 The HRA business plan has been remodelled to reflect the impact of 80 properties being sold over each year over the next 4 years.

3.0 'Pay to Stay'

3.1 Clause 74 of the Bill gives the Secretary of State the power to set the levels of rent that registered providers of social housing 'must charge' a high income tenant. High income is defined as household income of more than £30,000 outside of London. The Bill does not define what the rent levels will be; these are to be set out in future rent regulations.

3.2 The government has previously indicated that the policy is likely to contain a taper so that tenants earning just above the threshold may not immediately have to pay market or near market rent.

3.3 Clause 79 of the Bill requires local authorities to pay the additional rent collected to the Government to contribute towards reducing the deficit. No extra HRA income is projected, for this reason. The cost of administering the change is not yet known but it has been indicated that councils will be able to retain a proportion of the assumed additional rent to cover administrative costs.

3.4 It should be noted that Pay to Stay could lead to an increase in Right to Buy applications from households facing a significant rent increase. It is intended that the Pay to Stay policy will come into effect in 2017/18.

3.5 To accommodate these expected policy and legislative changes, the Council needs to consider how to best manage its housing stock to meet housing need and to ensure a sustainable Housing Revenue Account.

4.0 Proposed Housing Stock for Disposal

4.1 Looking ahead and as noted above, we currently understand that the Council will need to make a payment to the treasury based on assumptions on the value of high value void properties arising from April 2017. The requirement to make a payment will not, based on current information, reflect the actual properties that become vacant during the period.

4.2 Given that the payment is not likely to be dependent on actual vacancies and to give flexibility to retain properties within the stock in the future, it is prudent to consider current vacant stock and how receipts from disposals now could be used to meet future demands. On this basis, a number of current properties have been assessed for disposal. Details relating to each disposal are listed in appendix 1.

5.0 Disposal of Freehold Housing Assets

5.1 On behalf of the Council, Eastbourne Homes Ltd currently manage 12 blocks of flats which are all leasehold. The addresses of each block and recent valuation are provided under confidential appendix 2. These are listed below together with freehold valuations supplied by *Kingston Morehen Chartered Surveyors.*

5.2 It is considered best practice (based on a paper published by the *Leasehold Excellence Network*,part of *Housing Quality Network*) for fully leasehold blocks to be disposed of, to enable the freeholder to concentrate on their remaining stock. The valuations take into account the remaining terms of the leases (all 100 years+) and the ground rents receivable. Most of the latter are fixed at a low rate (£100 p.a.).

5.3 The HRA receives other income related to service charges (currently 15% on general expenditure and 5% on major works). Historical analysis of service charges (management fees) for these properties reveals generally very low charges have been levied. Major works charges are levied irregularly and cover our actual costs. Management of freeholds does ensure proper management of the housing stock, however, given that there are powers to tackle poor management and the need to address pressure on the HRA disposal is recommended. It also allows leaseholders to take control of their properties through self-management if they wish to purchase.

5.4 It is therefore recommended that Cabinet grant delegated authority to the Senior Head of Community to dispose of the freehold of all properties listed in the confidential appendix 2 to existing owners and future freeholds where all have been sold as leasehold. Should existing leaseholders not wish to take up the freehold the Council will retain the freehold.

5.5 Subject to Cabinet agreeing the recommendation above, officers would establish the most effective disposal process, and would seek to provide current owners with the opportunity to purchase their freehold, should they wish. Sales will be compliant with current leasehold legislation.

6.0 Sale of Assets to EHIC (Eastbourne Housing Investment Co Ltd)

6.1 EHIC as the asset holding vehicle of the Council recently completed on their first acquisition: 137 – 139 Seaside Road. The lending for this scheme was agreed by Cabinet in July 2015 where a full explanation of the principles of forthcoming acquisitions where lending from the Council was required, were laid out.

6.2 EHIC have expressed an interest in acquiring Council housing assets.. The details of the assets concerned are listed in appendix 3 including the expected level of lending required based on current market values. Further options appraisals and project viability will be developed by EHIC prior to a formal application for lending.

6.3 This report asks Cabinet to approve a loan to EHIC to enable it to acquire the properties as listed in appendix 3.

7.0 Change to Delegations for Senior Head of Community

7.1 Under the Council's current Scheme of Delegations to Officers, the Senior Head of Community does not have delegated authority to dispose of HRA or general fund housing properties of any value. This can lead to delays in disposal while reports are prepared that seek the approval of Cabinet as the executive decision-making body.

7.2 To avoid such delays, it is recommended that Cabinet approve the following amendment to the powers granted to the Senior Head of Community under the Council's Scheme of Delegation to Officers. .

7.3 The **Senior Head of Community** shall have the following powers in relation to all and any council owned HRA properties:

(a) To acquire or dispose of land, and to grant and/or modify leases, easements, licences and way-leaves of, in, or over such properties, in accordance with the following limits, subject to sub-paragraph (i):

- where the payment **from** the other party does not exceed £50,000 (£25,000 for amenity land); or
- where the payment **to** the other party does not exceed £50,000; or
- where the annual rent does not exceed £25,000 (except for a rent review); or
- where the lease term of the property does not exceed 10 years; or

- if an easement or way-leave, the annual fee does not exceed £1,000.

(i) Where any value exceeds the limits stated above, the Senior Head of Community may exercise the powers referred to in paragraph (a) but only after consulting with the relevant Portfolio Holder.

(b) To vary the terms and conditions of, or negotiate the surrender of, leases and licences.

(c) To determine as landowner or landlord, applications for licences, consents and permissions in respect of properties.

7.4 At the current time, the Secretary of State's permission must be sought where a local authority intends to dispose of more than 5 HRA properties. Again, in the interests of avoiding delay, it is recommended that the Senior Head of Community be given authority, through the Scheme of Delegation to Officers, to make the application for permission to dispose of 5 or more HRA assets direct to the Secretary of State without prior Cabinet approval. Given the likely requirement to sell high value void properties, it is anticipated that the Secretary of State permission to sell will be relaxed.

8.0 Conducting homelessness reviews under Part 7 of the Housing Act 1996

8.1 Where the Council makes a decision under the homelessness legislation an applicant has a right to seek a review of that decision if he/she does not agree with the finding. For complex cases or to ensure decisions can be made in a timely manner some authorities obtain specialist external support to carry out reviews and/or use the services of other Council's that have the required experience and capacity.

8.2 If a Council does use an external agency or other Council to carry out the review there is a requirement for this approach to be approved by the organisation.

8.3 Under normal circumstances the Council would anticipate internal review of cases. However, to give flexibility the report recommends that Cabinet grant delegated authority to the Senior Head of Community to obtain specialist advice for undertaking homelessness decisions and reviews.

9.0 Consultation

9.1 **Disposal of HRA & General Fund Housing Stock**

Decisions on the disposal of the properties as listed in appendix 3 have been made on the basis of an assessment of their viability and current condition. Where properties have tenants the Council will work closely with the occupants to make sure they are offered appropriate alternative accommodation.

9.2 **Disposal of 100% Leaseholder Blocks within the HRA**

Should cabinet approve the sale of the leases as detailed in the report a consultation plan will be developed involving current leaseholders affected. It is proposed that this consultation is managed through the EHL Leaseholder Panel. Final agreement will be sought from the Portfolio Holder, Chief Financial Officer and Senior Head of Community and their decision will take into account the outcome of any such consultation.

10.0 Resource Implications

10.1 **Financial**

The impact of the proposed changes and impact on the HRA are significant. This report is set to address them and ensure we are financially prepared for the future.

10.2 External assistance with homelessness assessment would incur a cost but would be met from within existing budget.

10.3 **Staffing**

There are no staffing implications from the recommendations in this report. The work will be undertaken from within existing staff resources.

11.0 Supply of Quality Housing for Eastbourne

11.1 The supply of good quality housing impacts on the welfare, housing, crime and educational obtainment. This report seeks to ensure the HRA remains sustainable and that the Councils Housing stock is managed in accordance with best practice.

12.0 Legal Implications - Sale of Assets to EHIC (Eastbourne Housing Investment Co Ltd)

12.1 Under Part II the Housing Act 1985 the Council has a duty to consider housing conditions in its district and the needs of the district with respect to the provision of further housing accommodation. The Council may provide housing accommodation directly but the Housing Act 1985 specifically provides that the Council does not have an obligation itself to acquire or hold any houses or other land for the purposes of its duties as a local housing authority under Part II of the Housing Act 1985.

12.2 The Housing Act section 32 enables the Council to dispose of land held for housing purposes subject to the consent of the Secretary of State. The Secretary of State has issued a series of General Consents for the disposal of different types of housing properties. The Council can rely upon Consent A3.1.1, The General Housing Consents 2013 in this case.

12.3 The Council has the power to provide financial assistance for the purposes of, or in connection with, the acquisition, of any property which is or is intended to be privately let as housing accommodation. Financial assistance includes a loan. Housing is privately let where the immediate landlord is not a local authority The Secretary of States consent is always required. (Section 24 Local Government Act 1988). The Council can rely upon the General Consent C of section 25 of the Local Government Act 1988 (Local Authority assistance for privately let housing) 2010 in relation to the loan in this instance.

12.4 Consent is also required if the Council wishes to provide a gratuitous benefit in relation to privately let housing. Such a benefit is provided where property is disposed of for either no consideration or for a consideration which has a value in money or money's worth which is significantly less than the value, in money or money's worth of the benefit which is to be provided. The intention is to dispose of the housing assets at market value and so no consent is required.

12.5 The European Commission's Communication on the Sale of Land sets out an automatic assumption that no State aid is present in a sale of land and buildings, provided its terms are followed. It requires the sale of land for "market value" through (i) an open and unconditional bidding process or (ii) an expert valuation. The price of the housing assets sold will be on the basis of an expert valuation.

12.6 The Council may provide the loan to EHIC in compliance with State aid rules on the basis of the Market Economy Investor Principle. This requires an assessment of whether the Council is behaving as a rational entity acting under market economy conditions. It requires a comparison against a hypothetical private sector investor in comparable circumstances to those of the public authority. The intention of the Council is to provide the loan in accordance with this principle.

13.0 Conclusion

13.1 We are currently in an environment of rapid and radical changes in national policy and funding arrangements and it is necessary for the council to review its strategies accordingly to ensure we make the best use of our housing stock, capital assets and revenue income.

Lead officer name: Jessica Haines
Job title: Senior Specialist Advisor

Background Papers:

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

- Market valuations for properties to be disposed of
- EHL SLT Report: Disposal of Fully Leasehold Assets - Decision
- HRA 30 year business plan

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

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