

Published 30 January 2018

## **Agenda** for meeting of the Eastbourne Borough Council Cabinet to be held at 6.00 pm on Wednesday, 7 February 2018 in the Town Hall, Eastbourne

### **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 Jonathan Dow:** Place services including cleansing and recycling, parks and downland, engineering, building and development control, planning policy and strategy, environmental health and licensing.

**Councillor Dean Sabri:** Core support and strategic services.

**Councillor Alan Shuttleworth:** Direct assistance services including revenues and benefits, housing and community development and bereavement services.

**Councillor John Ungar** – Community safety and the crime reduction partnership.

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*[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 13 December 2017.** (Pages 1 - 10)

**2 Apologies for absence.**

**3 Declarations of members' interests.**

**4 Questions by members of the public.**

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

**5 Urgent items of business.**

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

**6 Right to address the meeting/order of business.**

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

**7 General fund revenue budget 2018/19 and capital programme 2017/21.**  
(Pages 11 - 36)

Report of Deputy Chief Executive  
Lead Cabinet member: Councillor Gill Mattock

**8 Treasury management and prudential indicators 2018/19.** (Pages 37 - 56)

Report of Deputy Chief Executive  
Lead Cabinet member: Councillor Gill Mattock

**9 Housing revenue account revenue budget and rent setting 2018/19 and capital programme 2017/21.** (Pages 57 - 70)

Report of Deputy Chief Executive and Director of Service Delivery  
Lead Cabinet members: Councillors Gill Mattock and Alan Shuttleworth

**10 Equality and fairness policy, equality objectives, annual report and action plan.** (Pages 71 - 102)

Report of Director of Regeneration and Planning  
Lead Cabinet member: Councillor Dean Sabri

## 11 Exclusion of the public.

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

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

## 12 Community grants programme - small grants. (Pages 103 - 112)

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

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

## 13 Redundancy and redeployment policy. (Pages 113 - 116)

Report of Assistant Director of Human Resources and Organisational Development  
Lead Cabinet member: Councillor Dean Sabri

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

**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). If a member has a DPI he/she may not make representations first.

**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: [committees@lewes-eastbourne.gov.uk](mailto:committees@lewes-eastbourne.gov.uk). You can view the Forward Plan of Key Decisions at <http://democracy.eastbourne.gov.uk/mgListPlans.aspx?RPId=125&RD=0&bcr=1>

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



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# Cabinet



## Minutes of meeting held on Wednesday, 13 December 2017 at 6.00 pm

Present:-

Councillors **David Tutt** (Chairman and Leader of the Council), **Gill Mattock** (Deputy Chairman and Deputy Leader of the Council), **Margaret Bannister**, **Jonathan Dow**, **Dean Sabri**, **Alan Shuttleworth** and **John Ungar**.

### 46 Minutes of the meeting held on 18 October 2017.

The minutes of the meeting held on 18 October 2017 were submitted and approved and the chairman was authorised to sign them as a correct record.

### 47 Declarations of members' interests.

Councillors Tutt and Ungar declared a prejudicial interest in agenda item 12 (Temporary accommodation options) as both were executive committee members of Aspiration Homes LLP. Both withdrew from the room and Councillor Mattock chaired the meeting whilst this item was considered.

### 48 Urgent items of business.

The Cabinet expressed their sincere thanks and formal appreciation to David Robinson, Senior Local Democracy Officer, who was retiring from the authority after many years of service.

### 49 Corporate performance quarter 2 - 2017-2018.

The Cabinet considered the report of the Deputy Chief Executive and Director of Regeneration and Planning on the Council's performance against the Corporate Plan's priority actions, performance indicators and targets over the quarter two period for 2017/18.

Key achievements during the quarter were detailed in part A of the report and Cabinet commended staff for their performance during this quarter. Achievements included the installation of the first iconic beach hut, reduction in fly-tipping and the Bandstand receiving 48,584 patrons for performances during the quarter against a target of 22,000.

Where performance or projects had not achieved their target, an explanation note was provided, together with a summary of the management action that had been taken and this was detailed in appendix 1.

In response to a question from the Cabinet in relation to the crime and disorder figures, detailed in section 3.1 of appendix 1, the Director of Regeneration and Planning advised that updated figures had been

received from Sussex Police and indicated that the performance indicator was now back on target.

Part B of the report detailed the Council's financial performance during quarter two.

**Resolved (key decision):** (1) That the achievements and progress against Corporate Plan priorities for 2017/18, as set out in part A of the report be noted.

(2) That the General Fund, HRA and Collection Fund financial performance for the quarter ended September 2017, as set out in part B of the report be agreed.

(3) That the transfer from reserves as set out in section 1 in part B of the report be agreed.

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

(5) That the Treasury Management performance as set out in section 5 in part B of the report be agreed.

**Reason for decision:**

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

**50 Council budget 2018/19 - draft proposals.**

The Cabinet considered the report of the Chief Finance Officer regarding the main elements of the emerging 2018/19 revenue budget that had arisen from the corporate and service financial planning process to date.

The Cabinet was recommended to launch a consultation on the 2018/19 general fund revenue budget. Should budget proposals remain materially intact following the consultation and future government announcements, the Council would have continued to move its financial position towards longer term sustainability, as outlined in the medium term financial strategy.

The draft budget of £13.7 million would be funded by income from services, business rates, council tax and a much-reduced government grant. The service and financial planning process had identified savings of £1.16 million and £540,000 had been identified as efficiency savings. These were detailed at appendix 1 to the report.

Thanks were conveyed to the finance team for their efforts in producing the draft budget proposals.

Despite the continued reduction in government grants, the Council would maintain front line services by transforming the way its delivered services through the joint transformation programme with Lewes District



Council and investing in projects that would generate income. The Council would continue to support the Community Grant scheme of more than £300,000 and the Devolved Ward Budgets at £10,000 per ward.

The Cabinet highlighted the national wide issue of homelessness, increased demand for temporary accommodation and the challenges facing councils as a result.

**Resolved (key decision):**

- (1) That the draft budget proposals be agreed for consultation.
- (2) That the approach to dealing with changes in the expected resources available for the 2018/19 budget as detailed in 5.3 of the report be agreed.
- (3) That subject to there being no material change in the government settlement, a council tax rise of 1.97% for 2018/19 to make a Band D charge of £237.51 for Council services is proposed.
- (4) To note that there are a lot of announcements yet to be finalised by Government and that currently the proposed budget is showing a gap of £163k between the resources available and the draft budget.
- (5) That the strategy to close the gap as shown in 5.3 of the report be agreed.

**Reason for decision:**

To formally launch consultation on the 2018/19 general fund revenue budget.

**51 Council tax and business rate base 2018/19.**

The Cabinet considered the report of the Chief Finance Officer regarding the Council's requirement to set its council tax base and expected business rate income for the forthcoming year.

The provisional council tax base for 2018/19 had been calculated in accordance with the relevant legislation and was outlined at appendix 1 to the report.

**Resolved (key decision):**

- (1) That the provisional council tax base of 34,354.4 for 2018/19 be agreed.
- (2) That the provisional retained business rates income of £3.652m for 2018/19 be agreed.
- (3) To agree that the Chief Finance Officer, in consultation with the Portfolio Holder for Finance, determine the final amounts for the council tax base and retained business rates income for 2018/19.

**Reason for decision:**

Cabinet is required to approve the Tax Base which will be used for the purposes of calculating the 2018/19 Council Tax.

**52 Community Safety Partnership annual report.**

The Cabinet considered the report of the Director of Regeneration and Planning, enabling the Cabinet to consider the current performance of Eastbourne's Community Safety Partnership (CSP) and seek endorsement of the proposed plan for 2018/19 and formal merging of Eastbourne and Lewes District Community Safety Partnerships, subject to consultation and approval from the Police and Crime Commissioner.

The proposed plan's key priorities for 2018/19 would be anti-social behaviour, street communities, proactively responding to emerging threats and priorities based on threat, risk and harm and contributing to the work of agencies and partnerships that have a leading role in working with victims and offenders.

Achievements in the plan's priority areas were detailed in section 4.4 of the report and the Cabinet expressed their thanks to officers and partner organisations.

Section 6.0 of the report detailed that a review was undertaken by the Police and Crime Commissioner, looking at funding arrangements for Community Safety Partnerships and ensuring they were appropriately apportioned to support the Police and Crime Plan. The results of the review would be announced at the end of 2017.

Section 7.0 of the report detailed the proposed merge between Eastbourne and Lewes District Community Safety Partnerships, including benefits already identified during the 'soft merger' period.

Eastbourne remained a low crime area and the Cabinet stressed the importance of working with partners to address crime and anti-social behaviour.

**Resolved (budget and policy framework):**

- (1) To note the achievements and activities of the Eastbourne Community Safety Partnership during 2016/17 and future risks/opportunities to performance.
- (2) To endorse the Community Safety Plan for 2018/19 set out at Appendix A and recommend to Full Council for approval.
- (3) To note the completion of the Eastbourne and Lewes District Community Safety Partnership 'Soft Merger' and endorse the full merger of the two Partnerships.

**Reason for decision:**

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

**53 Options for the recycling service for Eastbourne Borough Council.**

The Cabinet considered the reports of the Director of Service Delivery regarding options for the future recycling service for Eastbourne Borough Council.

Part one asked Cabinet to consider moving to a fully co-mingled recycling collection method and part two asked Cabinet to consider introducing a charge for the collection of garden waste.

Visiting member, Councillor Wallis addressed the Cabinet on both reports. He commented on potential contamination and public confidence in a co-mingled service and risks associated with charging for garden waste.

In response to Councillor Wallis' comments on co-mingling, the Director of Service Delivery advised that the recommendations were to agree in principle, and the Council would explore the costs of glass collected separately from the rest of the dry mixed recycling, should that be a more cost effective solution.

It was suggested and supported by the Cabinet to visit a nearby sorting centre, as it would be beneficial to allay any concerns members may have about co-mingling. The Director of Service Delivery also commented that nearby authorities such as Hastings, Lewes, Rother and Wealden had made the decision to collect co-mingled recycling.

In response to Councillor Wallis' comments on a charge for garden waste, it was reported that the introduction of an annual fee for garden waste collection was a charge already implemented by most councils and this was detailed in the report.

**Resolved (key decision):****Part one:**

(1) That the move to a fully co-mingled recycling collection system for dry mixed recycling from June 2019, subject to best value considerations be agreed in principle.

(2) To delegate authority to the Director of Service Delivery, in consultation with the Portfolio Holder for Place Services, to develop and progress recycling disposal arrangements, either through a contract arrangement or through the Waste Disposal Authority.

**Reason for decision:**

Timely consideration is required regarding the future shape of the service, in order that arrangements can be made to secure a disposal route for dry mixed recycling

**Part two:**

(1) That the introduction of an annual charge for the kerbside collection of garden waste from April 2018 be approved.

(2) To agree the offer of a free compost bin as an alternative option to those householders who require one. The offer to be for a period of six months from April 2018.

**Reason for decision:**

Timely consideration is required regarding the future shape of the service, considering the current financial context.

**54 Temporary accommodation options: loan to facilitate purchase of land by Aspiration Homes LLP.**

The Cabinet considered the report of the Chief Executive seeking Cabinet approval for a loan to be made by the Council to Aspiration Homes LLP (AH), to accept the repayment of a loan previously made by the Council to Eastbourne Housing Investment Company Ltd (EHICL) and to note the temporary accommodation options.

The report followed on from the establishment of Aspiration Homes Limited Liability Partnership with Lewes District Council on 1 July 2017 and recommendations approved by Cabinet on 22 March 2017 to allocate up to £30 million in the Council's capital programme to progress the next phase of delivery for EHICL (£20 million) and first phase delivery for AH (£10 million).

It was envisaged that the proposed scheme at Northbourne Road, detailed in the report, would form part of a larger programme, tackling homelessness and housing need. Deadlines around the right to buy receipt utilisation meant that this transaction required approval before any future report on the larger programme could be considered by the Cabinet.

**Resolved (key decision general exception):**

(1) To agree a loan of up to £1,700,000 be made by the Council to Aspiration Homes LLP (AH), such loan to be used for the purpose of enabling AH to purchase land at Northbourne Road from Eastbourne Housing Investment Company Ltd (EHICL) and to develop the same for affordable housing.

- (2) To agree to accept repayment of the total drawn down loan previously made by the Council to EHICL for the purchase of land and pre-construction costs for the Northbourne Road scheme.
- (3) To authorise the Deputy Chief Executive, in consultation with the Lead Member for Finance, to determine the terms of any loan which is to be offered to Aspiration Homes LLP.
- (4) To note that officers will ensure that a "Funding Agreement" and a "Deed of Entrustment" are entered into so that right to buy receipts are appropriated in accordance with legislative requirements.
- (5) To note the emerging temporary accommodation options.

**Reason for decision:**

The Council is one of three partners in this proposed arrangement, the other two being AH and EHICL. The Council has previously made a loan to EHICL to enable that company to purchase land at Northbourne Rd for re-development.

With the establishment of the newly created AH it makes better sense for AH to carry out the re-development as AH can make use of right-to-buy receipts in doing this. This is not an option which is open to either the Council or EHICL.

It is therefore proposed that EHICL repays the loan received from the Council and that the Council instead makes loan monies available to AH for the re-development of the site for affordable housing.

Cabinet should note that any payment of the loan to AH will be dependent upon EHICL and AH themselves first agreeing the terms of the transfer of the Northbourne Rd site from EHICL to AH and upon AH agreeing to take a loan from the Council on the terms offered.

*(Note: Councillors Tutt and Ungar declared a prejudicial interest in this item (see minute 47 above). Both withdrew from the room and Councillor Mattock chaired the meeting for consideration of this item.)*

**55 Hampden Park Retail Park refurbishment.**

The Cabinet considered the report of the Director of Regeneration and Planning regarding the programme of works proposed at Hampden Park Retail Park, and to recommend a development proposal which would generate the income to maintain frontline council services.

The cost estimate of the project was detailed in 2.12 of the report and the proposed site plan in comparison to the existing site plan was detailed at appendix A to the report.

By investing in its property assets, the Council would contribute to ensuring the long term sustainability of its asset base which would contribute to unlocking housing, regeneration and community benefits.

**Resolved (key decision):**

- (1) That the progress made to date in terms of the acquisition and management of Hampden Park Retail Park be noted.
- (2) To agree to allocate up to £9,000,000 within the Council's capital programme, for the further development of land and property at Hampden Park Retail Park in order to meet the objectives set out in the Asset Management Plan.
- (3) To delegate authority to the Director of Regeneration and Planning, in consultation the Strategic Property Board; and the Council's Section 151 Officer; to negotiate and finalise land and property acquisitions at Lottbridge Drive.
- (4) To delegate authority to the Director of Regeneration and Planning, in consultation with the Director of Service Delivery, and the Chief Finance Officer, and Assistant Director – Legal and Democratic Services, to progress the project through the Energy & Sustainability Joint Venture (JV) if they consider it appropriate and at an appropriate future stage to decide the project should be put forward to the JV Steering Board for inclusion as a part 1 and/or part 2 project.
- (5) To delegate authority to award any of the contracts in relation to recommendation 4 above to the Director of Regeneration and Planning; such delegation to include approval to a waiver of the Contract Procedure Rules (sought under CPR 2.4.1 (a)) for those appointments.

**Reason for decision:**

The Council is committed to leveraging the best performance from its investment property portfolio and opportunities to increase the performance of the asset at Hampden Park Retail Park are set out in the report.

**56 Joint transformation programme - update.**

The Cabinet considered the report of the Assistant Director for Human Resources and Transformation, updating them on the progress of the joint transformation programme and key decisions taken by the programme board.

Consultation and recruitment of phase two had now been completed and resulted in the appointment of over 230 roles and only 4 compulsory redundancies. 69 applications for voluntary redundancy had been received and 36 had been agreed.

The Cabinet expressed their thanks to Henry Branson, Assistant Director for Business Transformation and the Joint Transformation Programme lead for his contribution to the programme and to Lee Banner, Joint Transformation Programme Manager, who commenced work on 13 November 2017.

Thanks were also conveyed for the consultation work that was undertaken by officers.

**Resolved (key decision):**

That the progress made in developing the phase two proposals as well as the wider programme and decisions made by the Programme Board be noted.

**Reason for decision:**

To note the progress of phase two of the Joint Transformation Programme and the decisions made by the Programme Board.

**57 Travel policy.**

The Cabinet considered the report of the Assistant Director for Human Resources and Transformation regarding a new staff travel policy across Eastbourne Borough Council and Lewes District Council.

Consultation took place with all employees and the trade union from July to September 2017, and UNISON had welcomed the pay protection applied to essential car user allowance.

**Resolved:**

That the policy be recommended to Full Council for implementation.

**Reason for decision:**

Lewes District and Eastbourne Borough Councils have jointly committed to bringing policies and procedures together as part of the Joint Transformation Programme (JTP) which is an important step towards aligning our people and business practices.

A comprehensive review of all existing arrangements relating to travel and car allowances across Lewes and Eastbourne has been undertaken, followed by a period of formal consultation on a proposed new travel policy which reflects new ways of working.

All new JTP roles are flexible with the expectation being that staff will be required to work from both Southover House, Lewes and 1 Grove Road, Eastbourne (and more widely across the district and borough for some roles). Managers will work closely with their teams to agree agile working arrangements to ensure appropriate availability at both sites which take account, wherever possible, of specific individual circumstances.

**58 Exclusion of the public.**

**Resolved:**

That the public be excluded from the remainder of the meeting as otherwise there was a likelihood of disclosure to them of exempt information as defined in schedule 12A of the Local Government Act

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

**59 Redundancy and redeployment policy.**

The Cabinet considered the report of the Assistant Director for Human Resources and Organisational Development. The report set out the current activity within the redundancy and redeployment procedure and actions taken to support affected individuals.

**Resolved:**

(1) That 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 be noted.

(2) That the financial implications of severance for those identified in the event that redeployment is not secured by the relevant date be agreed.

**Reason for decision:**

The organisation is currently in phase two of the joint transformation programme and actions have been taken to manage the implications of this change for displaced individuals through support, redeployment and assistance with self-marketing under the redundancy and redeployment procedure.

*Notes: (1) The report remains confidential. (2) Exempt information reasons 1 and 2 – Information relating to an individual or likely to reveal the identity of an individual.*

The meeting closed at 7.19 pm

**Councillor David Tutt  
Chairman**



# Agenda Item 7

<b>Body:</b>	<b>Cabinet</b>
<b>Date:</b>	<b>7th February 2018</b>
<b>Subject:</b>	<b>General Fund Revenue Budget 2018/19 and Capital Programme 2017/21</b>
<b>Report Of:</b>	<b>Deputy Chief Executive (Chief Finance Officer)</b>
<b>Ward(s)</b>	All
<b>Purpose</b>	To agree the detailed General Fund budget proposals for 2018/2019 and Capital Programme 2017/21.
<b>Decision Type:</b>	Key Decisions requiring approval of Full Council
<b>Recommendation:</b>	Members are asked to recommend the following proposals to Full Council: <ul style="list-style-type: none"><li>(i) General Fund budget for 2017/18 (Revised) and 2018/19 (original) <b>Appendix 1</b> including growth and savings proposals for 2018/9 as set out in <b>Appendix 2</b>.</li><li>(ii) An increase in the Council Tax for Eastbourne Borough Council of 2.9% resulting in a Band D charge of £239.67 for 2018/19.</li><li>(iii) Revised General Fund capital programme 2017/21 as set out in <b>Appendix 3</b>.</li><li>iv) Notes the section s151 Officers sign off as outlined in 1.6</li></ul>
<b>Reason for recommendations:</b>	The Cabinet has to recommend to Full Council the setting of a revenue budget and associated council tax for the forthcoming financial year by law.
<b>Contact:</b>	Alan Osborne, Deputy Chief Executive and Chief Finance Officer, Telephone 01323 415149 or internally on extension 5149. E-mail address: alan.osborne@eastbourne.gov.uk

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## 1.0 Introduction

- 1.1 This report sets out the general fund revenue budget proposals for 2018/19 and a rolling three year capital programme 2017/21.
- 1.2 The Housing Revenue Account 2018/19 and associated capital programme, together with rent setting for 2018/19 is subject of a separate report elsewhere on this agenda.

- 1.3 The Council revised its medium term financial strategy (MTFS) in July 2017 and the Cabinet recommended a resulting draft 2018/19 budget proposal in December 2017 following the service and financial planning process in the autumn.
- 1.4 The MTFS and the draft budget have been subject to consultation as reported to Cabinet and Scrutiny since December.
- 1.5 The budget is the product of various plans and strategies as part of an integrated and corporate planning process and is linked principally to:
- The MTFS
  - Asset Management Plans
  - The Corporate Plan
  - Workforce Strategy
  - Treasury Management Strategy
  - Service Plans
  - HRA business plan
  - Joint transformation programme with Lewes DC
- 1.6 The Chief Finance Officer has a specific legal responsibility to give positive assurances on:
- The robustness of the estimates used in the budget
  - The level of reserves

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

The only area to note is that part of the increased budget for investment income (c£0.6m) is still subject to contract. Any further actions arising from this risk will be reported to Cabinet as part of the normal corporate performance monitoring. A contingency of £0.1m is held and will not be released until the target is met.

## **2.0 Summary of recommended budget proposals**

2.1 The budget proposals include:

- An increase in the Council Tax in 2018/ 19 of 2.9%.
- Dealing with reductions in Government funding of £1.8m
- Overall savings/new income totalling £2.1m (14% of the net budget)
- Efficiency savings of £0.5m (3% of the net budget)
- New and increased income £1.6m (11% of the net budget)
- Inflation and unavoidable costs of £0.8m (5% of the net budget)
- Other recurring service growth of £0.4m
- Non recurring service investments met from general reserves of £0.5m
- Non recurring investment from Devonshire Park reserve £0.6m
- General Reserves averaging in excess of £4m (against a minimum recommended of £2m)

- Capital resources of £0.3m invested in new capital schemes (**shown in Bold in Appendix 3**)

2.2 The budget represents continued management of financial risks by:

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

### 3.0 2018/19 General Fund Resources

#### Government Funding

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

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

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

- A further reduction in revenue support grant of £0.5m to £0.4m
- Reduction in new homes bonus of £0.4m from the 2017/18 level
- A real reduction in resources from Government of over 40% over the period to 2016-2020

3.3 The NNDR business rate base has remained 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 2017 CPI and an overall increase of 11% in the gross rateable values. The government has revalued the business rates base and overall this has no effect on the retained business rates for EBC. The Government will reassess the “needs formula” to reflect demand for services and adjust redistribution accordingly from 2020 onwards.

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

3.5 The Government approved the Council’s joint efficiency statement and

application for the 4 year settlement (to 2020). Over 97% of Councils have opted for the fixed settlement including all neighbouring authorities.

### Council Tax

- 3.6 The proposal is for an increase in council tax of 2.9% for 2018/19 which results in a Band D rate of £239.67 for Council services.
- 3.7 The Council has to give an indication of likely future council tax rises, it is still expected that council tax will rise by 2% to 3% per annum for each of the next three years. This is within the Government's target for inflation (1-3%) and also the current ceiling on rises that would otherwise require a referendum.
- 3.8 Within this context, for 2018/19, the Council will raise £8.2m 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 £239.67.
- 3.9 In addition, there is a distribution of £0.179m payable to EBC to the collection fund due to a collection fund surplus.

### 3.10 **Summary – 2018/19 Resources**

A summary of the resources available is shown below:

<b>Source:</b>	<b><u>£'m</u></b>
Government formula grant	(0.4)
Other grants	(0.2)
Retained business rates	(3.4)
New Homes Bonus	(0.3)
Contribution from East Sussex Business Rate Pool	(0.3)
Contribution from business rate reserve	(0.5)
Collection Fund Surplus	(0.2)
Council tax	<u>(8.2)</u>
<b>Total Resources Available</b>	<b><u>(13.5)</u></b>

- 3.11 In order to achieve a balanced budget without using reserves for recurring expenditure, the Council needs to set a net recurring budget for 2018/19 of £13.5m. In addition the Council will fund non-recurring investments of £0.5m from reserves as well as £0.6m from the Specific Devonshire Park reserve. Provision for up to £0.25m is made to provide revenue support to the Joint Transformation Programme in the strategic change fund.

### **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.

<b>Grant</b>	<b>2018/ 19 £'m</b>
Housing Benefit Subsidy	(45)*
H B Administration Grant	(0.4)
* Approximate	

#### 4.2 Housing Benefit Subsidy:

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

The system of universal credit (UC) is due to be completed in this parliament which will see the caseload moved to the Department for Work and Pensions. Currently only new applicants are put on universal credit. The main rollout of UC in Eastbourne started in 2017.

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

#### 4.3 Homelessness:

This is intended to assist with prevention and to find alternative accommodation other than bed and breakfast. This grant has now been subsumed into the main grant system. The government did announce a special grant for homelessness prevention during 2017/18. Homelessness presents a significant financial risk to the Council as not all costs are funded by Housing Benefit.

#### 4.4 New Homes Bonus:

This was introduced in 2011/12 (£187,000) and grew to £1.040m in 2016/17 awards are currently guaranteed for four years which is a change from the original scheme which was 6 years. The Government has top-sliced an amount equivalent to 0.4% growth to divert resources to upper tier authorities for adult care services. Further reductions down to approximately £0.2m per annum are expected by 2020.

### 5.0 **Budget movements 2017/18 to 2018/19**

5.1 The detailed budget proposals are set out in **(Appendix 1)** show in detail the movement from the 2017/18 budget to the 2018/19 proposed budget. The

movements are summarised below:-

5.2	<b>Movement from 2017/18 Base Budget:</b>	<b><u>£m</u> <u>Total</u></b>
	<b>Change in resources:</b>	
	Government grants	1.4
	Council tax	<u>(0.4)</u>
		1.0
	<b>Cost increases:</b>	
	Inflation and unavoidable costs	0.8
	Other growth and changes in income	<u>0.4</u>
		1.2
	<b>Savings:</b>	
	Efficiency savings	(0.5)
	Increased Income/other changes	<u>(1.7)</u>
		<u>(2.2)</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 21st 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 2018/19. The next MTFS due in July will project forward a further three years and continue to provide the basis of service and financial planning for the medium term. It should be noted that at a significant level the savings required for the next MTFS have already been identified, further reports to Cabinet will detail the business plans under the Joint transformation programme and income generation initiatives.

5.5 The Government set out a revised four year programme of reductions in funding and the Council's current MTFS already takes account of this overall however the MTFS will be refreshed in July following the year end closing the 2017/18 accounts.

## 6.0 Risks, Contingencies and Reserves

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

### 6.2. Principal Risks

The key areas of financial risk that the Council faces in the operation of its 2018/19 budget are:-

- Housing Benefit Performance

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

On an exception basis, information on each of the risk areas identified above, together with any new and significant risks that may emerge over the course of the year, will be included in each financial performance report to Cabinet and Scrutiny during 2018/19.

### 6.3 Contingencies

The 2018/19 budget includes a corporate contingency budget of £0.1m 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 and reserves.

### 6.4 Reserves

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

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

6.5	<b>Risk</b>	<b>£m</b>
	Unexpected Events e.g. flooding, major storm in excess of Bellwin Scheme provision	0.2
	Significant financial overruns e.g. prior year negative Housing Benefits subsidy adjustments/homelessness and costs of welfare reform.	0.7
	Exceptional fluctuations in income that have a major corporate impact	0.7

Cost of providing priority services during an incident or emergency in excess of insurance cover	0.2
Cost of significant breach of legislation e.g. health and safety, human rights	<u>0.2</u>
<b>TOTAL</b>	<b><u>2.0</u></b>

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

Should the budget recommendations be followed, the level of general fund reserves is projected at over £4m by March 2019 (**Appendix 1**). In addition to acting as a potential buffer against future risks, this should create further opportunities for one off investments in the future.

#### 6.6 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.

### 7.0 **Capital Programme 2017-2021**

7.1 The principles for formulating the capital programme were set out in the draft budget report submitted to Cabinet on 13th December 2017. The proposed new schemes to be financed are shown in **bold** in at (**Appendix 3**). All other schemes have been agreed by the Council previously.

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

7.3 In addition to schemes that qualify for borrowing the Council had a further £0.3m of capital resources to apply to the programme.

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

7.5 No future capital receipts have been factored into the available resource where there is not a significant chance of them materialising. There will be opportunities



to supplement the programme as the three year period progresses.

## **8.0 Consultation**

8.1 The Council's medium term financial strategy and the resulting draft budget proposal for 2018/19 as reported to Cabinet in December have been subject to wide and varied consultation. The Scrutiny Committee held a finance event in October and has been invited to comment on the budget proposals at its meetings in December and February.

## **9.0 Implications**

### **9.1 Financial**

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

### **9.2 Human Resources**

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

### **9.3 Environmental**

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

## **10.0 Conclusion**

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

Alan Osborne  
Deputy Chief Executive and Chief Finance Officer

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**Background Papers:**

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

Cabinet reports:

December 2017

- Council Tax Base for 2018/19
- Draft Budget Proposals 2018/19

July 2017 – Medium Term Financial Strategy

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

## General Fund Revenue Budget 2018/19

## Appendix 1

	2017/18 Original Budget £'000	2017/18 Revised Budget £'000	2018/19 Budget £'000
<b>Corporate Services</b>			
Corporate Management	168	151	169
Corporate Services	(768)	(705)	(1,342)
Strategic Finance	2,102	2,121	2,068
Human Resources	472	443	489
Business Transformation	1,699	1,683	1,685
Legal and Local Democracy	846	888	920
	<b>4,519</b>	<b>4,581</b>	<b>3,989</b>
<b>Service Delivery</b>			
Service Management	(70)	(89)	(18)
Case Management and Specialist Services	4,428	4,263	3,912
Customer and Neighbourhood Services	1,440	1,430	1,392
Homes First	152	185	324
	<b>5,950</b>	<b>5,789</b>	<b>5,610</b>
<b>Regeneration and Planning</b>			
Service Management	62	62	63
Regeneration	275	130	153
Planning	108	328	433
Estates and Property	(1,753)	(1,790)	(2,243)
Business Planning and Performance	918	956	982
	<b>(390)</b>	<b>(314)</b>	<b>(612)</b>
<b>Tourism and Enterprise Services</b>			
Service Management	69	93	95
Towner	623	623	423
Tourism and Enterprise	984	868	1,097
Sports Delivery	269	266	304
Seafront	(29)	(23)	(11)
Events	662	708	611
Theatres	1,186	1,196	1,077
	<b>3,764</b>	<b>3,731</b>	<b>3,596</b>
<b>Capital Financing</b>	<b>1,833</b>	<b>1,952</b>	<b>2,025</b>
<b>Net Service Expenditure</b>	<b>15,676</b>	<b>15,739</b>	<b>14,608</b>
Contributions to/(from) Unearmarked Reserves	(497)	(503)	(479)
Contributions to/(from) Earmarked Reserves	-	(57)	-
Contributions to/(from) Strategic Change Fund	-	-	-
Contributions to/(from) Capital Programme Reserve	-	-	-
Contributions to/(from) Devonshire Park Reserve	(646)	(646)	(633)
<b>Eastbourne Borough Council Budget Requirement</b>	<b>14,533</b>	<b>14,533</b>	<b>13,496</b>
<b>Financed by</b>			
Government Formula Grant	(944)	(944)	(445)
New Homes Bonus	(844)	(844)	(339)
Other Specific Government Grants	(349)	(349)	(195)
Retained Business Rates	(4,023)	(4,023)	(3,388)
Contribution from Reserves	(341)	(341)	(450)
Contribution from East Sussex Business Rate Pool	-	-	(266)
Contribution from Council Tax Surplus	(130)	(130)	(179)
Council Tax Collection Fund Precept	(7,902)	(7,902)	(8,234)
<b>Total Financing</b>	<b>(14,533)</b>	<b>(14,533)</b>	<b>(13,496)</b>

	2017/18 Original Budget £'000	2017/18 Revised Budget £'000	2018/19 Budget £'000
<b>General Fund Reserve</b>			
In hand at 1st April	(2,307)	(2,661)	(3,137)
Financing of Non Recurring Expenditure	497	497	479
Transfer from Earmarked Reserves	(1,000)	(1,000)	
Withdrawal/(Addition)	-	6	(550)
Allocated for Future Use	-	21	-
In hand at 31st March	<b>(2,810)</b>	<b>(3,137)</b>	<b>(3,208)</b>
<b>Strategic Change Fund</b>			
In hand at 1st April	(251)	(251)	(8)
Withdrawal/(Addition)	-	243	(250)
Allocated For Future Use			250
In hand at 31st March	<b>(251)</b>	<b>(8)</b>	<b>(8)</b>
<b>Capital Programme Revenue Reserve</b>			
In hand at 1st April	(2,137)	(2,573)	(1,573)
Withdrawal/(Addition)	1,000	1,000	-
Allocated For Future Use	-	-	-
In hand at 31st March	<b>(1,137)</b>	<b>(1,573)</b>	<b>(1,573)</b>
<b>Regeneration Reserve</b>			
In hand at 1st April	(374)	(541)	(65)
Withdrawal/(Addition)	341	341	-
Allocated For Future Use	-	135	-
In hand at 31st March	<b>(33)</b>	<b>(65)</b>	<b>(65)</b>
<b>Devonshire Park Reserve</b>			
In hand at 1st April	(988)	(960)	(634)
Withdrawal/(Addition)	646	646	633
Transfer to/(from) General Fund Reserve	-	(320)	-
	-		-
In hand at 31st March	<b>(342)</b>	<b>(634)</b>	<b>(1)</b>

## Corporate Services Budget 2018/19

## Appendix 1

	2017/18 Original Budget £'000	2017/18 Revised Budget £'000	2018/19 Budget £'000
<b>Corporate Management</b>	<b>168</b>	<b>151</b>	<b>169</b>
Corporate Savings - Future Model and Shared Servi	(887)	(812)	(1,449)
Contingencies	119	107	107
<b>Corporate Services</b>	<b>(768)</b>	<b>(705)</b>	<b>(1,342)</b>
Financial Services Team	673	667	645
Corporate Finance	1,189	1,196	1,216
Internal Audit and Corporate Fraud	240	258	207
<b>Strategic Finance</b>	<b>2,102</b>	<b>2,121</b>	<b>2,068</b>
<b>Human Resources</b>	<b>472</b>	<b>443</b>	<b>489</b>
<b>Business Transformation</b>	<b>1,699</b>	<b>1,683</b>	<b>1,685</b>
Legal Services	234	256	272
Local Democracy	612	632	648
<b>Legal and Local Democracy</b>	<b>846</b>	<b>888</b>	<b>920</b>
<b>Total Corporate Services</b>	<b>4,519</b>	<b>4,581</b>	<b>3,989</b>

	2017/18 Original Budget £'000	2017/18 Revised Budget £'000	2018/19 Budget £'000
<b>Service Management</b>	<b>(70)</b>	<b>(89)</b>	<b>(18)</b>
Case Management	633	612	672
Account Management	448	422	461
Specialist Advisory Team	4,494	4,375	3,995
Bereavement Services	(1,147)	(1,146)	(1,216)
<b>Case Management and Specialist Services</b>	<b>4,428</b>	<b>4,263</b>	<b>3,912</b>
Customer Contact Centre	866	850	828
Neighbourhood First Team	574	580	564
<b>Customer and Neighbourhood Services</b>	<b>1,440</b>	<b>1,430</b>	<b>1,392</b>
<b>Homes First</b>	152	185	324
<b>Total Service Delivery</b>	<b>5,950</b>	<b>5,789</b>	<b>5,610</b>

**Strategy, Planning and Regeneration  
Budget 2018/19**

**Appendix 1**

	<b>2017/18 Original Budget £'000</b>	<b>2017/18 Revised Budget £'000</b>	<b>2018/19 Budget £'000</b>
<b>Service Management</b>	<b>62</b>	<b>62</b>	<b>63</b>
<b>Regeneration</b>	<b>275</b>	<b>130</b>	<b>153</b>
<b>Planning</b>	<b>108</b>	<b>328</b>	<b>433</b>
Corporate Landlord	(2,063)	(2,153)	(2,744)
Facilities Management	310	363	501
<b>Estates and Property</b>	<b>(1,753)</b>	<b>(1,790)</b>	<b>(2,243)</b>
<b>Business Planning and Performance</b>	<b>918</b>	<b>956</b>	<b>982</b>
<b>Total Strategy, Planning and Regeneration</b>	<b>(390)</b>	<b>(314)</b>	<b>(612)</b>

	2017/18 Original Budget £'000	2017/18 Revised Budget £'000	2018/19 Budget £'000
<b>Tourism &amp; Enterprise Services</b>			
Service Management	69	93	95
Towner	623	623	423
Tourism and Enterprise	984	868	1,097
Sports Delivery	269	266	304
Seafront	(29)	(23)	(11)
Events	662	708	611
Theatres	1,186	1,196	1,077
<b>Total Tourism &amp; Enterprise Services</b>	<b>3,764</b>	<b>3,731</b>	<b>3,596</b>



## Proposed Savings

Department	Service	Proposal	December Cabinet 2018/19 £'000	February Cabinet 2018/19 £'000
<b>Efficiency Savings</b>				
Corporate	All	Joint Transformation Programme Savings (phase 2 and part year of 3)	(500)	(500)
Corporate	CMT	Net saving from rationalisation of CMT following departure of AD Transformation	(8)	(8)
Corporate	Financial Services	Unfunded Pensions due to mortality	(15)	(15)
Corporate	Internal Audit	Staffing	(5)	(5)
Service Delivery	Homes First	Homelink	(12)	(12)
<b>Efficiency Savings Total</b>			<b>(540)</b>	<b>(540)</b>
<b>Income Generation</b>				
Service Delivery	Specialist Services	Increase in crematorium fees	(60)	(61)
Service Delivery	Specialist Services	Waste and recycling income (now gross)	(300)	(450)
Service Delivery	Customer and Neighbourhood First	Car Parking income target	(50)	(50)
Strategy, Planning and Regeneration	Planning Policy	CIL administration income	(3)	(3)
Strategy, Planning and Regeneration	Property Services	Corporate Procurement	(4)	(4)
Strategy, Planning and Regeneration	Property Services	Commercial income target	(500)	(628)
Tourism & Enterprise	Tourism & Enterprise	TIC - Recharge of 50% TIC Manager costs to Lewes	(18)	(18)
Tourism & Enterprise	Tourism & Enterprise	Show World cup on big screen (see Revenue growth bid)	(5)	(5)
Tourism & Enterprise	Tourism & Enterprise	Income from bike hire (see capital bid)	(3)	(3)
Tourism & Enterprise	Tourism & Enterprise	Increased income from bandstand concerts	(10)	(10)
Tourism & Enterprise	Tourism & Enterprise	New sun loungers increased income	(2)	(2)
Tourism & Enterprise	Events	Beachy Head Marathon	(5)	(5)
Tourism & Enterprise	Events	Beer and Cider by the Sea	(3)	(3)
Tourism & Enterprise	Arts	Procurement saving	(200)	(200)
Corporate	All	Salary recharges	0	(228)
<b>Income Generation Total</b>			<b>(1,163)</b>	<b>(1,670)</b>
<b>TOTAL SAVINGS</b>			<b>(1,703)</b>	<b>(2,210)</b>

## Recurring Growth

Department	Service	Item	December Cabinet 2018/19 £'000	February Cabinet 2018/19 £'000
<b>Corporate Inflation</b>				
	Corporate	Pay Award and increments	180	309
	Corporate	Pensions Costs as per actuary	30	32
	Corporate	National Living Wage (casual staff)	30	30
	Corporate	Inflation on Contracts (based on 3%)	200	242
	Corporate	Capital Financing	200	200
	<b>Corporate Inflation Total</b>		<b>640</b>	<b>813</b>
<b>Other Growth</b>				
Corporate	Financial Services	Credit Card charges increase due to demand	5	5
Corporate	Financial Services	Insurance Tax increase	8	8
Corporate	Local Democracy	System annual maintenance licences for EBC Electoral Services	4	4
Corporate	Human Resources	Health and Wellbeing initiative contribution towards joint event	5	5
Service Delivery	Homes First	Homelessness and Temporary Accommodation costs (not grant funded) due to sustained demand increase	200	200
Service Delivery	Specialist Services	Conservation area review	10	10
Service Delivery	Specialist Services	HB administration grant reduction by Government	50	82
Service Delivery	Customer and Neighbourhood First	Eastbourne Connect scheme	10	10
Service Delivery	Customer and Neighbourhood First	EBC Car park machines Upgrade (offset by increased income)	9	9
Tourism and Enterprise	Tourism and Enterprise	Western View (offset by increased income)	17	17
Tourism and Enterprise	Events	Aegon International Tennis advertising / town dressing	10	10
	<b>Other Growth Total</b>		<b>328</b>	<b>360</b>
<b>TOTAL PROPOSED RECURRING GROWTH</b>			<b>968</b>	<b>1,173</b>

## Non Recurring Service Investments

Department	Service	Proposal		
Corporate	Local Democracy	Independent Statutory Review of Members' Allowances scheme	5	5
Corporate	Local Democracy	Alignment of Electoral and Committee IT systems (estimated figure)	5	5
Service Delivery	Specialist Services	e-billing (Council Tax and Business Rates) Cost of E-secure software	7	7
Service Delivery	Specialist Services	Business Rates RV Growth	25	25
Service Delivery	Specialist Services	Exceptional Hardship Support	15	15
Service Delivery	Specialist Services	DD Campaigns	3	3
Service Delivery	Specialist Services	EBC - Green Flag Award	10	10
Service Delivery	Specialist Services	Electronic Enforcement Register	5	5
Service Delivery	Specialist Services	LCTS scheme review (both EBC and LDC)	3	3
Service Delivery	Specialist Services	Housing benefit subsidy review	25	25
Service Delivery	Waste	Waste programme manager (temporary to share services)	31	31
Strategy, Planning and Regeneration	Property Services	Minimum Energy Efficiency Standards	10	10
Strategy, Planning and Regeneration	Property Services	Rating Revaluation (offset by rates savings)	5	5
Strategy, Planning and Regeneration	Property Services	Downland Whole Estate Plan (offset by increased income)	30	30
Strategy, Planning and Regeneration	Property Services	Conditions Surveys- legal requirement	25	25
Strategy, Planning and Regeneration	Planning Policy	Local Plan EBC	10	10
Strategy, Planning and Regeneration	Planning Policy	CIL Viability Report	20	20
Strategy, Planning and Regeneration	Planning Policy	Habitat Regulation Assessment	40	40
Strategy, Planning and Regeneration	Planning Policy	SEA Critical Friend	5	5
Strategy, Planning and Regeneration	Planning Policy	Transport Assessment	20	20
Strategy, Planning and Regeneration	Planning Policy	SFRA	20	20
Strategy, Planning and Regeneration	Planning Policy	LNR Assessment	5	5
Strategy, Planning and Regeneration	Planning Policy	SHMA	15	15
Strategy, Planning and Regeneration	Planning Policy	LDC Examination	30	30
Strategy, Planning and Regeneration	Planning Policy	POS Critical Friend	3	3
Tourism and Enterprise	Tourism and Enterprise	Big screen for World Cup	10	10

Department	Service	Item	2018/19	2018/19
Tourism and Enterprise	Tourism and Enterprise	Beach and Sea Bathing New Rescue Boat	7	7
Tourism and Enterprise	Tourism and Enterprise	Seafront Signage	5	5
Tourism and Enterprise	Tourism and Enterprise	Awareness Campaign	15	15
Tourism and Enterprise	Events	Events Administration (to increase income)	38	38
Tourism and Enterprise	Events	Music Live Events	10	10
Tourism and Enterprise	Events	Local Produce Market	5	5
Tourism and Enterprise	Events	Devonshire Park Grounds - chemicals	9	9
Tourism and Enterprise	Events	Devonshire Park Grounds - Tools	3	3
Tourism and Enterprise	Events	Devonshire Park Grounds - eastern Boundary Walls	5	5
<b>TOTAL NON RECURRING INVESTMENTS</b>			<b>479</b>	<b>479</b>
<b>Devonshire Park Reserve (previously approved)</b>				
Strategy, Planning and Regeneration	Property Services	The Point	100	100
Tourism and Enterprise	Tourism and Enterprise	Conference marketing	25	25
Tourism and Enterprise	Tourism and Enterprise	Conference Membership	30	30
Tourism and Enterprise	Tourism and Enterprise	Winter Garden	172	172
Tourism and Enterprise	Tourism and Enterprise	Congress Theatre bar	62	62
Tourism and Enterprise	Tourism and Enterprise	TIC - Theatre Booking Commission	15	15
Tourism and Enterprise	Events	Beer Festival	7	7
Tourism and Enterprise	Theatres	DQP - Offset of Closures	222	222
<b>TOTAL NON RECURRING INVESTMENTS - Devonshire Park Reserve</b>			<b>633</b>	<b>633</b>
<b>TOTAL PROPOSED NON- RECURRING GROWTH</b>			<b>1112</b>	<b>1112</b>

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**Summary of Capital Programme 2017 to 2021**

	<b>Estimate Total 2017/18</b>	<b>Total 2018/19</b>	<b>Total 2019/20</b>	<b>Total 2020/21</b>
<b><u>Capital Programme</u></b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Community Services	7,672	1,882	1,530	300
Tourism & Leisure	4,228	10,620	10,480	-
Corporate & Core Services	39,421	16,225	16,225	9,255
Asset Management	18,197	17,377	3,494	821
Pier Grant & Coastal Communities Gran	1,746	-	-	-
<b>Total Programme</b>	<b>71,264</b>	<b>46,104</b>	<b>31,729</b>	<b>10,376</b>
<b><u>Financed By:-</u></b>				
Capital Receipts GF	2,021	614	549	175
Grants and Contributions	10,088	2,649	2,532	300
Revenue Contribution to Capital	620	-	-	-
Reserves	35	124	-	-
Section 106 Contributions	727	-	-	-
GF Borrowing (Committed)	52,006	33,087	18,318	821
GF Borrowing (Uncommitted)	5,767	9,630	10,330	9,080
<b>Total Financing</b>	<b>71,264</b>	<b>46,104</b>	<b>31,729</b>	<b>10,376</b>

Scheme	Total Scheme Approved	Total Scheme spend at 31 March 2017	Revised 2017-18	2018-19	2019-20	2020-21		
<b>COMMUNITY SERVICES</b>								
Memorial Safety Cems	40,000	6,080	34,000	-	-	-		
Digitalise Burial Records	10,000	-	10,000	-	-	-		
Ocklynge Cemetery Chapel	150,000	80,499	69,500	-	-	-		
Main Chapel Refurb - Phase 2	26,000	9,295	16,700	-	-	-		
<b>Crematorium Improvements</b>	<b>124,000</b>	-	-	<b>124,000</b>	-	-		
Disabled Facilities Grants	Ongoing	3,898,305	2,169,300	1,200,000	1,200,000	-		
BEST Grant (housing initiatives)	Ongoing	1,936,164	159,450	117,000	-	-		
Acquisition of Land & Property	2,600,000	-	2,600,000	-	-	-		
Contaminated Land	185,000	113,709	71,250	-	-	-		
Coast Defences Beach Management	Ongoing	5,605,006	247,850	300,000	300,000	300,000		
Cycling Strategy	40,600	-	40,600	-	-	-		
Play Area Sovereign Harbour	27,000	-	27,000	-	-	-		
Terminus Road Improvements	500,000	-	500,000	-	-	-		
Sov Harbour Community Centre	1,600,000	371,236	1,228,750	-	-	-		
Bodiam Cres Play Area Path	20,000	18,447	1,550	-	-	-		
Shinewater Skate Park	50,000	-	50,000	-	-	-		
Seaside rec - Play Equipment	120,000	8,918	111,100	-	-	-		
Motcombe Pond	50,000	46,168	3,850	-	-	-		
Hampden Park - Improvements (Green Flag)	50,000	15,343	34,650	-	-	-		
Old Town Rec. - Improvements (Green Flag)	25,000	13,923	11,100	-	-	-		
Seaside Rec - all weather path	50,000	27,538	22,450	-	-	-		
Signage Re-branding (Parks & Open Spaces)	30,000	-	30,000	-	-	-		
Tugwell Park - all weather path (Phase 1 & 2)	50,000	36,837	13,150	-	-	-		
<b>Car Parking Machines</b>	<b>97,000</b>	66,531	5,450	<b>25,000</b>	-	-		
Public Conveniences Beachy Head	40,000	38,992	1,000	-	-	-		
Public Conveniences Green St	40,000	36,608	3,400	-	-	-		
Shinewater Park - Scoping	20,000	-	20,000	-	-	-		
Air Quality Monitoring Equipment	30,500	2,040	28,450	-	-	-		
Helen Gardens Play Equip	40,000	-	40,000	-	-	-		
Chiltern Close Play Equip	25,000	-	25,000	-	-	-		
Oak Tree Lane Play Equip	35,000	-	-	35,000	-	-		
Mulberry Close Play Equip	30,000	-	-	-	30,000	-		
Lower Holywell Public Con	50,000	-	50,000	-	-	-		
Redoubt Public Convenience	40,000	-	40,000	-	-	-		
Green Street Disabled Toilet	31,000	24,851	6,150	-	-	-		
<b>Refurbishment of Public Facilities</b>	<b>81,000</b>	-	-	<b>81,000</b>	-	-		

Scheme	Total Scheme Approved	Total Scheme spend at 31 March 2017	Revised 2017-18	2018-19	2019-20	2020-21		
<b>Total Community Services</b>		12,356,491	7,671,700	1,882,000	1,530,000	300,000		

Scheme	Total Scheme Approved	Total Scheme spend at 31 March 2017	Revised 2017-18	2018-19	2019-20	2020-21		
<b>TOURISM &amp; LEISURE</b>								
Volleyball Court	25,000	7,285	17,700	-	-	-		
Sports Park Flood Lights	30,000	-	30,000	-	-	-		
Re-surface Tennis Courts	265,000	241,529	23,450	-	-	-		
ILTC - Air Conditioning	60,000	-	60,000	-	-	-		
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	-	-	-		
5 Iconic Beach Huts	90,200	-	90,200	-	-	-		
Equipment at Devonshire Park	120,000	20,000	50,000	50,000	-	-		
Sovereign Centre	24,480,000	269,998	3,230,000	10,500,000	10,480,000	-		
Changing Places	69,000	-	69,000	-	-	-		
Wash Down - Devonshire Park	20,000	-	20,000	-	-	-		
Seafront Van	12,500	-	12,500	-	-	-		
Sports Park Astro Pitch	35,000	-	35,000	-	-	-		
<b>Sports Park Lighting</b>	<b>60,000</b>	-	-	<b>60,000</b>	-	-		
<b>Signage</b>	<b>10,000</b>	-	-	<b>10,000</b>	-	-		
<b>Total Tourism &amp; Leisure</b>		<b>538,813</b>	<b>4,227,850</b>	<b>10,620,000</b>	<b>10,480,000</b>	<b>-</b>		
<b>CORPORATE SERVICES</b>								
Carbon Reduction Works	434,000	171,960	262,000	-	-	-		
Invest to Save	Ongoing	-	15,000	80,000	80,000	80,000		
Future Model Phase 2	3,660,550	3,534,866	125,700	-	-	-		
Investment Capital	5,600,000	1,150,000	4,450,000	-	-	-		
IT - Block Allocation	Ongoing	560,804	517,200	175,000	175,000	175,000		
EHIC - Loan (Gowland Ct)	1,850,000	1,835,000	15,000	-	-	-		
EHIC - Revolving Credit	250,000	65,000	185,000	-	-	-		
EHIC - Loan Facility (EBC transfers)	4,173,000	450,000	3,723,000	-	-	-		
EHIC - Loan Facility (Private Properties)	5,000,000	490,000	2,010,000	1,250,000	1,250,000	-		
EHIC - new mixed tenure homes	20,000,000	-	2,000,000	6,000,000	6,000,000	6,000,000		
EHIC - Victoria Mansions	4,035,000	2,960,000	1,075,000	-	-	-		
Aspiration Homes - Loan Northbourne Rd	1,700,000	-	1,000,000	700,000	-	-		
Aspiration Homes - Facility Bedfordwell Road - Land	8,300,000	-	-	2,300,000	3,000,000	3,000,000		
Hampden Retail Park	18,840,000	34,500	18,805,500	-	-	-		
HPK Retail Refurbishment	9,000,000	-	1,000,000	4,000,000	4,000,000	-		
Buccaneer Pub	1,580,000	-	1,580,000	-	-	-		
JTP Programme Office	6,878,000	2,296,266	1,142,750	1,719,500	1,719,500	-		
Mayor's Car	20,000	-	20,000	-	-	-		



Scheme	Total Scheme Approved	Total Scheme spend at 31 March 2017	Revised 2017-18	2018-19	2019-20	2020-21		
<b>Total Corporate Services</b>		15,152,876	39,421,650	16,224,500	16,224,500	9,255,000		

Scheme	Total Scheme Approved	Total Scheme spend at 31 March 2017	Revised 2017-18	2018-19	2019-20	2020-21		
<b>Asset Management</b>								
Devonshire Park Redevelopment Project	44,000,000	6,064,471	17,743,550	16,877,000	2,994,000	321,000		
Royal Hippodrome Theatre	127,000	-	127,000	-	-	-		
Town Hall Community Hub	20,000	-	20,000	-	-	-		
The Point - improvements	20,000	-	20,000	-	-	-		
Asset Management - Block Allocation	Ongoing	-	286,158	500,000	500,000	500,000		
<b>Total Asset Management</b>		<b>6,064,471</b>	<b>18,196,708</b>	<b>17,377,000</b>	<b>3,494,000</b>	<b>821,000</b>		
<b>Grant Funded Schemes</b>								
Wish Tower Restaurant	1,800,000	75,422	1,724,600	-	-	-		
Statue Sculpture Installation	22,000	500	21,500	-	-	-		
<b>Total Grant Funded Schemes</b>		<b>75,922</b>	<b>1,746,100</b>	<b>-</b>	<b>-</b>	<b>-</b>		
<b>Total General Fund</b>			<b>71,264,008</b>	<b>46,103,500</b>	<b>31,728,500</b>	<b>10,376,000</b>		

# Agenda Item 8

<b>Body:</b>	<b>Cabinet</b>
<b>Date:</b>	<b>7 February 2018</b>
<b>Subject:</b>	<b>Treasury Management and Prudential Indicators 2018/19</b>
<b>Report of:</b>	<b>Deputy Chief Executive (Chief Finance Officer)</b>
<b>Cabinet member:</b>	Councillor Mattock, Portfolio Holder for Financial Services
<b>Ward(s):</b>	All
<b>Purpose of the report:</b>	To approve the Council's Annual Treasury Management Strategy together with the Treasury and Prudential Indicators for the next financial year.
<b>Decision type:</b>	Key Decision
<b>Recommendation:</b>	<p>Cabinet is asked to recommend the following proposals to full Council :</p> <ul style="list-style-type: none"><li>i) The Treasury Management Strategy and Annual Investment Strategy as set out in this report.</li><li>ii) The methodology for calculating the Minimum Revenue Provision set out at paragraph 2.3.</li><li>iii) The Prudential and Treasury Indicators as set out in this report.</li><li>iv) The Specified and Non-specified Investment categories listed in Appendix 2.</li></ul> <p>Cabinet is recommended to note the extended role of the Chief Financial Officer as set out in Appendix 4.</p>
<b>Reasons for recommendations:</b>	It is a requirement of the budget setting process for the Council to review and approve the Prudential and Treasury indicators and Treasury Strategy.
<b>Contact:</b>	Janet Martin, Senior Accountant Telephone 01323 415983 or internally on extension 5983. E-mail address: janet.martin@lewes-eastbourne.gov.uk

## **1.0 Introduction**

- 1.1 The Prudential and Treasury Indicators and Treasury Strategy covers:
- the capital prudential indicators;
  - a Minimum Revenue Provision Policy (how residual capital expenditure is

charged to revenue over time);

- the Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

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

1.3 CIPFA has updated the definition of treasury management to:

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

## 2.0 THE CAPITAL PRUDENTIAL INDICATORS 2016/17 – 2020/21

2.1 In December 2017, CIPFA issued revised Prudential and Treasury Management Codes. As from 2019-20, all local authorities will be required to prepare an additional report, a Capital Strategy report, which is intended to provide the following:

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

The aim of this report will be to ensure that all elected members on the full council fully understand the overall strategy, governance procedures and risk appetite entailed by this Strategy.

The Capital Strategy will include capital expenditure, investments and liabilities and treasury management in sufficient detail to allow all members to understand how stewardship, value for money, prudence, sustainability and affordability will be secured.

A Capital Strategy report will be prepared in 2018/19 in partnership with other services.

## 2.2 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	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Non-HRA	21.2	71.3	46.1	31.7	10.4
HRA	5.8	8.8	4.3	4.4	4.4
Total	27.0	80.1	50.4	36.1	14.8
<b>Financed by:</b>					
Capital receipts	3.0	4.0	0.6	0.6	0.2
Capital grants	4.9	10.3	2.7	2.5	0.3
Capital reserves	4.9	6.6	4.4	4.4	4.4
Revenue	0.0	0.6	0.0	0.0	0.0
<b>Net borrowing needed for the year</b>	<b>14.2</b>	<b>58.6</b>	<b>42.7</b>	<b>28.6</b>	<b>9.9</b>

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

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

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

The CFR includes other long term liabilities (e.g. Serco, finance leases) brought onto the balance sheet. Whilst this increases the CFR, and therefore the Council's borrowing requirement, these types of scheme already include a borrowing facility and the Council is not required to separately borrow for them. There are currently £0.43m of such schemes within the CFR.

The Council is asked to approve the CFR projections below:

£m	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
<b>Capital Financing Requirement</b>					
CFR – non housing	47.2	103.7	144.9	172.4	181.2
CFR - housing	41.7	42.5	42.5	42.5	42.5
<b>Total CFR</b>	<b>88.9</b>	<b>146.2</b>	<b>187.4</b>	<b>214.9</b>	<b>223.7</b>
<b>Movement in CFR</b>	<b>13.8</b>	<b>57.3</b>	<b>41.2</b>	<b>27.5</b>	<b>8.8</b>

<b>Movement in CFR represented by</b>					
Net financing needed for the year (above)	14.2	58.6	42.7	28.6	9.9
Less MRP and other financing movements	(0.4)	(1.3)	(1.5)	(1.1)	(1.1)
<b>Movement in CFR</b>	<b>13.8</b>	<b>57.3</b>	<b>41.2</b>	<b>27.5</b>	<b>8.8</b>

Note the MRP includes Serco repayments.

## 2.4 **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 if the HRA is required to charge depreciation on its assets, this would have a revenue effect. In order to address any possible adverse impact, regulations allow the Major Repairs Allowance to be used as a proxy for depreciation.

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

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

The DCLG issued a consultation on proposed changes to their MRP guidance in November 2017. The consultation closed on 22 December but the results of the consultation are yet to be published. If changes to the guidance are published, which would require a change to this MRP policy for 2018/19, a revised policy will be presented to council for approval.

## 2.5 **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:

## 2.6 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.

%	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Non-HRA	4.4	10.9	16.8	20.7	23.3
HRA	11.8	12.3	12.6	12.6	10.07

The estimates of financing costs exclude uncommitted borrowing.

## 3.0 TREASURY MANAGEMENT STRATEGY

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate 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 2017, with forward projections, are summarised below. The table shows the actual external borrowing (the treasury management operations), against the capital borrowing need (the Capital Financing Requirement - CFR), highlighting any under borrowing.

£m	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
<b>External borrowing</b>					
Borrowing at 1 April	52.0	65.0	123.5	166.2	194.8
Expected change in borrowing	13.0	58.5	42.7	28.6	9.9
Other long-term liabilities (OLTL)	1.1	0.8	0.5	0.1	0.0
Expected change in OLTL	(0.3)	(0.3)	(0.4)	(0.1)	0.0
<b>Actual borrowing at 31 March</b>	<b>65.8</b>	<b>124.0</b>	<b>166.3</b>	<b>194.8</b>	<b>204.7</b>
CFR – the borrowing need	88.9	146.2	187.4	214.9	223.7
Under borrowing	23.1	22.2	21.1	20.1	19.0

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 2017/18 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	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Borrowing	88.1	145.7	187.3	214.9	223.7
Other long term liabilities	0.8	0.5	0.1	0.0	0.0
Total	88.9	146.2	187.4	214.9	223.7

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

Authorised limit £m	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Borrowing	103.1	160.7	202.3	229.9	238.7
Other long term liabilities	0.8	0.5	0.1	0.0	0.0
Total	103.9	161.2	202.4	229.9	238.7

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

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

### 3.3 Prospects for Interest Rates

The Council has appointed Link Asset Services (previously known as 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 their central view.

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate	0.50%	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%
5yr PWLBRate	1.50%	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%
10yr PWLB View	2.10%	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%
25yr PWLB View	2.80%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.50%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%

As expected, the Monetary Policy Committee (MPC) delivered a 0.25% increase in Bank Rate at its meeting on 2 November. The MPC also gave forward guidance that they expected to increase Bank rate only twice more by 0.25% by 2020 to end at 1.00%. However, Link Asset Services forecast as above includes increases in Bank Rate of 0.25% in November 2018, November 2019 and August 2020. The overall longer run trend is for gilt yields and PWLB rates to



rise, albeit gently.

Investment returns are likely to remain low during 2018/19 but to be on a gently rising trend over the next few years.

Borrowing interest rates increased sharply after the result of the general election in June and then also after the September MPC meeting when financial markets reacted by accelerating their expectations for the timing of Bank Rate increases. Since then, borrowing rates have eased back again somewhat. Apart from that, there has been little general trend in rates during the current financial year. 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 the future when the Council may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

A detailed view of the Economic 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 economic background and the risks within the economic forecast, caution will be adopted with the 2018/19 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:

	2018/19	2019/20	2020/21
<b>Interest rate Exposures</b>			
	<b>Upper</b>	<b>Upper</b>	<b>Upper</b>
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	25%	25%	25%
<b>Maturity Structure of fixed interest rate borrowing 2018/19</b>			
	<b>Lower</b>	<b>Upper</b>	
Under 12 months	0%	75%	
12 months to 2 years	0%	75%	
2 years to 5 years	0%	75%	
5 years to 10 years	0%	100%	
10 years and above	0%	100%	

### 3.6 Policy on Borrowing in Advance of Need

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

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

### 3.7 Debt Rescheduling

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

Debt scheduling will only be considered under the following circumstances:

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

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

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

### **3.8 Municipal Bond Agency**

It is possible that the Municipal Bond Agency will be offering loans to local authorities in the future. The Agency hopes that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). This Authority may make use of this new source of borrowing as and when appropriate.

## **4.0 ANNUAL INVESTMENT STRATEGY**

### **4.1 Investment Policy**

The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the CIPFA TM Code"). The Council's investment main priorities will be security first, portfolio 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.

### **4.2 Creditworthiness Policy**

In order to minimise the risk to investments, the Council has clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list as set out in at Appendix 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 Link, 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, even if the UK rating falls below AAA.

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

4.4 **The Local Authority Mortgage Scheme (LAMS)**

The Council is participating 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.

4.5 **Time and monetary limits applying to investments.**

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

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

4.6 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.

4.7 **Non treasury management investments**

This Council invests in non treasury management (policy) investments. These do not form part of the treasury management strategy. However, Members are advised that the following non treasury investments are currently in place as at 31.12.17:

<b>Investment</b>	<b>Facility</b>	<b>Int Rate</b>
CloudConnX	357,000	1.5%+Base
WEL (Excl capitalised interest)	1,150,000	8%-10%
EHIC – Loan Facility	11,590,150	4.50%
EHIC - Credit Facility	250,000	2%+Base
Aspiration Homes Loan Facility	1,700,000	4.50%
Seachange (Site 6 Sov Harbour) (Excl capitalised interest)	850,000	3.00%
Seachange (Sov Harbour Innovation Mall) (Excl capitalised interest)	1,400,000	3.00%

#### 4.8 **Investment Strategy**

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

#### 4.9 **Investment returns expectations.**

Bank Rate is forecast to stay flat at 0.50% until quarter 4 2018 and not to rise above 1.25% by quarter 1 2021. Bank Rate forecasts for financial year ends (March) are:

- 2017/18 0.50%
- 2018/19 0.75%
- 2019/20 1.00%
- 2020/21 1.25%

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

	<b>Now</b>
2017/18	0.40%
2018/19	0.60%
2019/20	0.90%
2020/21	1.25%
2021/22	1.50%
2022/23	1.75%
2023/24	2.00%
Later years	2.75%

The overall balance of risks to these forecasts is currently skewed to the upside and are dependent on how strong GDP growth turns out, how quickly inflation pressures rise and how quickly the Brexit negotiations move forward positively.

#### 4.10 **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:

<b>Maximum principal sums invested &gt; 364 days</b>			
<b>£m</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
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.

#### **4.11 End of year investment report**

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

#### **4.12 Policy on the use of external service providers**

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

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

#### **5.0 Outcome expected and performance management**

5.1 Loans, Investments and Prudential Indicators will be monitored regularly during 2018/19 and performance will be reported to members quarterly.

#### **6.0 Financial appraisal**

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

#### **7.0 Legal implications**

7.1 This report covers the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the CLG MRP Guidance, the CIPFA Treasury Management Code and the CLG Investment Guidance.

#### **8.0 Equality analysis**

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

## **9.0 Conclusion**

- 9.1 Capital prudential indicators have to be set to demonstrate plans for borrowing are affordable. The movement in the Capital Financing Requirement (CFR) forecasts for 2018/19, 2019/20 & 2020/21 have been set as £41.2m, £27.5m and £8.8m respectively. This borrowing has been reflected in the Capital Financing Requirement, which sets out the Council's outlining requirement for borrowing, and includes both the use of internal resources and external borrowing.
- 9.2 The proposed Minimum Revenue Provision Policy remains unchanged from 2017/18 and ensures that prudent provision is made for the repayment of borrowing. The Government is currently consulting on changes to the MRP policy and if there are any changes required, these will be reported to a future meeting of the Cabinet.
- 9.3 All Treasury indicators have been set to reflect the treasury strategy and funding requirements of the capital programme.
- 9.3 The Council's treasury management advisors are predicting a gradual rise in interest rates of 0.25% going forward to reach 1.25% by September 2020. Investment returns are therefore likely to remain low during 2018/19 but to be on a gently rising trend over the next few years.
- 9.4 The investment strategy has been set to maintain the Councils main priorities in the order of Security, Liquidity and Yield.
- 9.5 The proposed criteria for Specified and Non-Specified investments is shown in Appendix 2 for approval and remains unchanged from 2017/18.
- 9.6 CIPFA issued a revised Treasury Management Code of Practice in December 2017 which expanded the role of the Chief Finance Officer's responsibility for treasury management activities, as set out in Appendix 4. These revisions have particularly focused on non-treasury investments and introduces the requirement to produce a detailed Capital Strategy, which will be prepared in 2018/19 in partnership with other services.

## **Appendices**

- 1 – Economic Background
- 2 – Specified and Non-Specified Investments and limits
- 3 – Creditworthiness Policy
- 4 – The Treasury Management Role of the Section 151 Officer

## **Background papers**

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

- CIPFA Treasury Management in the Public Services code of Practice (the Code)
- Cross-sectorial Guidance Notes

- CIPFA Prudential Code
- Treasury Management Strategy and Treasury Management Practices adopted by the Council on 18 May 2010.
- Council Budget 7 February 2018
- Finance Matters and Performance Monitoring Reports 2017.

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



## APPENDIX 1 Economic Background

**GLOBAL OUTLOOK.** World growth looks to be on an encouraging trend of stronger performance, rising earnings and falling levels of unemployment. In October, the IMF upgraded its forecast for world growth from 3.2% to 3.6% for 2017 and 3.7% for 2018.

In addition, **inflation prospects are generally muted** and it is particularly notable that **wage inflation** has been subdued despite unemployment falling to historically very low levels in the UK and US. This has led to many comments by economists that there appears to have been a fundamental shift downwards in the Phillips curve (this plots the correlation between levels of unemployment and inflation e.g. if the former is low the latter tends to be high). In turn, this raises the question of what has caused this? The likely answers probably lay in a combination of a shift towards flexible working, self-employment, falling union membership and increasing globalisation and specialisation of individual countries, which has meant that labour in one country is in competition with labour in other countries which may be offering lower wage rates, increased productivity or a combination of the two. In addition, technology is probably also exerting downward pressure on wage rates and this is likely to grow with an accelerating movement towards automation, robots and artificial intelligence, leading to many repetitive tasks being taken over by machines or computers. Indeed, this is now being labelled as being the start of the **fourth industrial revolution**.

### **KEY RISKS - central bank monetary policy measures**

Looking back on nearly ten years since the financial crash of 2008 when liquidity suddenly dried up in financial markets, it can be assessed that central banks' monetary policy measures to counter the sharp world recession were successful. The key monetary policy measures they used were a combination of lowering central interest rates and flooding financial markets with liquidity, particularly through unconventional means such as Quantitative Easing (QE), where central banks bought large amounts of central government debt and smaller sums of other debt.

The key issue now is that that period of stimulating economic recovery and warding off the threat of deflation is coming towards its close and a new period has already started in the US, and more recently in the UK, on reversing those measures i.e. by raising central rates and (for the US) reducing central banks' holdings of government and other debt.

There is also a potential key question over whether economic growth has become too dependent on strong central bank stimulus and whether it will maintain its momentum against a backdrop of rising interest rates and the reversal of QE. In the UK, a key vulnerability is the **low level of productivity growth**, which may be the main driver for increases in wages; and **decreasing consumer disposable income**, which is important in the context of consumer expenditure primarily underpinning UK GDP growth.

A further question that has come to the fore is whether **an inflation target for central banks of 2%**, is now realistic given the shift down in inflation pressures from internally generated inflation, (i.e. wage inflation feeding through into the national economy), given the above mentioned shift down in the Phillips curve.

**UK.** After the UK surprised on the upside with strong economic growth in 2016, **growth in 2017 has been disappointingly weak**; quarter 1 came in at only +0.3% (+1.8% y/y), quarter 2 was +0.3% (+1.5% y/y) and quarter 3 was +0.4% (+1.5% y/y). The main reason

for this has been the sharp increase in inflation, feeding increases in the cost of imports into the economy. This has caused, in turn, a reduction in consumer disposable income and spending power and so the services sector of the economy, accounting for around 80% of GDP, has seen weak growth as consumers cut back on their expenditure. However, more recently there have been encouraging statistics from the **manufacturing sector** which is seeing strong growth, particularly as a result of increased demand for exports. It has helped that growth in the EU, our main trading partner, has improved significantly over the last year while robust world growth has also been supportive. However, this sector only accounts for around 10% of GDP so expansion in this sector will have a much more muted effect on the overall GDP growth figure for the UK economy as a whole.

One key area of risk is that consumers may have become used to cheap rates since 2008 for borrowing, especially for mortgages. It is a major concern that **some consumers may have over extended their borrowing** and have become complacent about interest rates going up after Bank Rate had been unchanged at 0.50% since March 2009 until falling further to 0.25% in August 2016. This is why forward guidance from the Bank of England continues to emphasise slow and gradual increases in Bank Rate in the coming years. However, consumer borrowing is a particularly vulnerable area in terms of the Monetary Policy Committee getting the pace and strength of Bank Rate increases right - without causing a sudden shock to consumer demand, confidence and thereby to the pace of economic growth.

Moreover, while there is so much uncertainty around the Brexit negotiations, consumer confidence, and business confidence to spend on investing, it is far too early to be confident about how the next two to three years will actually pan out.

**EZ.** Economic growth in the Eurozone (EZ), (the UK's biggest trading partner), was +0.6% in quarter 3 (2.5% y/y). However, despite providing massive monetary stimulus, the European Central Bank is still struggling to get inflation up to its 2% target and in October inflation was 1.4%. It is therefore unlikely to start on an upswing in rates until possibly 2019. It has, however, announced that it will slow down its monthly QE purchases of debt from €60bn to €30bn from January 2018 and continue to at least September 2018.

**USA.** Growth in the American economy has been notably erratic and volatile. Unemployment in the US has fallen to the lowest level for many years, reaching 4.1%, while wage inflation pressures, and inflationary pressures in general, have been building.

## 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 Link's credit worthiness service which overlays colour bandings to determine the maximum length of any investment. See Appendix 3 for further detail.

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

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

**Maturities in excess of 1 year**

	<b>Minimum Credit Criteria</b>	<b>Max % of total investments</b>	<b>Max. maturity period</b>
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
<b>Collective Investment Schemes structured as Open Ended Investment Companies (OEICs)</b>			
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 Link. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moodys and Standard and Poors. The credit ratings of counterparties are supplemented with the following overlays:

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

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

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

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

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

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

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

## Appendix 4 – The Treasury Management Role of the Section 151 Officer

The S151 (responsible) officer

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

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

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

# Agenda Item 9

<b>Body:</b>	<b>Cabinet</b>
<b>Date:</b>	<b>7 February 2018</b>
<b>Subject:</b>	<b>HRA Revenue Budget and Rent Setting 2018/19 and HRA Capital Programme 2017/21</b>
<b>Report of:</b>	<b>Deputy Chief Executive (Chief Finance Officer) and Director of Service Delivery</b>
<b>Cabinet member:</b>	Councillor Mattock, Portfolio Holders for Financial Services and Councillor Shuttleworth, Portfolio Holder for Direct Assistance Services.
<b>Ward(s):</b>	All
<b>Purpose of the report:</b>	To agree the detailed HRA budget proposals, rent levels, service charges and heating costs for 2018/19, and the HRA Capital Programme 2017/21.
<b>Decision type:</b>	Key Decision
<b>Recommendation:</b>	<p>Cabinet is asked to recommend the following proposals to full Council:</p> <ul style="list-style-type: none"><li>i) The HRA budget for 2018/19 and revised 2017/18 as set out in <b>Appendix 1</b>.</li><li>ii) That social and affordable rents (including Shared Ownership) are decreased by 1% in line with government policy.</li><li>iii) That service charges for general needs properties are increased by 5.14%.</li><li>iv) That service charges for the Older Persons Sheltered Accommodation are increased by 1.78%.</li><li>v) That the Support charge for Sheltered Housing Residents remains at £7.50 per unit, per week pending a review in the summer.</li><li>vi) To give delegated authority to the Director of Service Delivery, in consultation with the Cabinet Portfolio Holders for Financial Services and Direct Assistance Services to set the support charge for Sheltered Housing Residents following a review of costs in the summer.</li><li>vii) That heating costs are set at a level designed to recover the estimated actual cost.</li><li>viii) That water charges are set at a level designed to recover the estimated cost of metered consumption.</li><li>ix) Garage rents are increased by 4% this year following the</li></ul>

disposal and repurposing of designated garage sites.

- x) To give delegated authority to the Chief Executive, in consultation with the Cabinet Portfolio holders for Financial Services and Direct Assistance Services and the Head of Finance to finalise Eastbourne Homes' Management Fee and Delivery Plan.
- xi) The HRA Capital Programme as set out in **Appendix 2**

**Reasons for recommendations:**

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

**Contact:**

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**1.0 Introduction**

- 1.1 The HRA is a statutory ring-fenced account that represents all landlord functions. The HRA is required to be self-financing, which means that expenditure has to be entirely supported from rental and other income. The main tool for the future financial management of the HRA is the 30 year Business Plan
- 1.2 The Business plan was last reported to Cabinet at the December 2015 meeting and at that time outlined the financial implications of the Housing and Planning Act 2016 and the Welfare Reform and Work Act 2016. This included the proposals for a 4 year 1% decrease in rents,. The Business plan is due to be updated once the 2018/19 has been approved.
- 1.3 At the time the business plan was last updated there was still considerable uncertainty regarding the levy based on the sale potential of HRA 'high value' properties. Although power to introduce a levy to fund the extension of a Right to Buy to association tenants was introduced in the Housing and Planning Act 2016, the necessary regulations have yet to be issued. The government announced in November 2016 that councils would not be expected to pay the levy until after April 2018; it now appears that this will continue to be the case until at least April 2019, however there is no indication that the government is prepared to abandon the idea of a levy at some stage in the future.
- 1.4 This report reflects the recommendations made by Eastbourne Homes Limited in relation to the increase in rent levels, service and other charges.

**2.0 2018/19 HRA Revenue Budget**

- 2.1 The 2018/19 budget has been prepared following the principles adopted within the HRA 30 year Business Plan and is attached at **Appendix 1**
- 2.2 The 2018/19 budget is showing a surplus of (£144k) from (£448) in 2017/18, a change of (£304k) which is mainly due to the factors listed below.



2.3 The major changes between the 2017/18 and the 2018/19 budgets are:

Income increases and expenditure reductions:

- Reduction in the transfer to the Housing Regeneration and Investment Reserve (£100k)

Increase in expenditure and income reductions:

- 1% rent reductions £118k
- Garage Rents £27k
- Service Charges £80k
- Charges for heating and water £37k
- Interest payments £40k
- Depreciation £84k
- Contribution to JTP capital costs £48k

2.4 The HRA budget is performing better than expected in the 30 year business plan due to various initiatives to control expenditure below that assumed in the business plan, lower than anticipated interest rates and higher rental income from affordable rents'

2.5 The 30 year business plan and the HRA budget policy allows for a contribution into the Housing Regeneration and Investment Reserve to meet future major works demands and other strategic housing related outcomes. This was set at £601k for 2017/18 and £500k for 2018/19. This will be reviewed again when the business plan is updated.

2.6 The Major Repairs Reserve is funded from cash backed depreciation of £4.3m plus inflation per year and is expected to breakeven in the short term, but should start to exceed capital spending requirements in the medium term, in order to provide sufficient resources to fund the demands of the asset management plan in the longer term.

2.7 The HRA debt outstanding at 31.3.17 was £41.7m rising to £42.5m by 31.3.19 which is the maximum borrowing permitted under the self-financing settlement. All the new borrowing of £0.8m will be completed by 31.3.18 and will be external debt at fixed interest rates. The increase in borrowing is to support the residual new build and empty homes programme. The additional interest payable from this borrowing will be funded from the additional rental as the properties are let.

2.8 As part of the autumn budget, the government announced a selected lifting of borrowing caps for councils in areas of high affordability pressure to enable them to build more homes. Councils will be invited to bid for increases in their caps from 2019/20. The criteria for these bids are currently unknown.

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

of new borrowing.

- 2.10 The Council's treasury management advisors are predicting a gradual rise in interest rates going forward into 2018/18 and the interest budget has been prepared on this basis
- 2.11 The HRA outturn for 2017/18 is expected to deliver a (£353k) surplus, a variance of (£95k) over the original budget (0.65% of gross expenditure). This is as a result of the contribution towards JTP capital costs.
- 2.12 The HRA Business Plan is based on a policy for a minimum level of HRA balance of £1m to maintain a prudent level of reserve to ensure that the HRA remains sustainable in the longer term and is able to deal with any risks posed by the current economic climate.

The forecast balances on HRA and Reserves are as follows:

	HRA	MRR	Housing Regeneration & Investment Reserve
	£'000	£'000	£'000
Balance at 1.4.17	4,366	513	2,518
Surplus/(Deficit)	354		
Revenue Contribution			601
Depreciation		4,206	
Major Works expenditure		(4,719)	(488)
Estimated Balance 31.3.18	4,720	0	2,631
Surplus/(Deficit)	187		
Revenue Contribution			500
Depreciation		4,290	
Major Works expenditure		(4,290)	
Estimated Balance 31.3.19	4,907	0	3,131

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

### 3.0 Rent Levels for 2018/19

- 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 Welfare Reform and Work Act 2016 suspended this policy from 2016/17 and rents on social housing properties are to be reduced by 1% a year for a four

year period. The financial year commencing 2nd April 2018 is the third year that the rent reduction is to be applied to all socially rented and affordable rented properties

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

#### **4.0 Service Charges**

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

- 4.2 For general needs properties in blocks the average service charge increase is 5.14% to ensure that costs relating to communal areas are reasonably recovered. This is an average increase in amount of £0.17 per unit, per week.

- 4.3 For Retirement Court properties in blocks, the average service charge increase is 1.78% to ensure that costs relating to communal areas are fully recovered. This is an average increase in costs of £1.42 per unit, per week.

#### **5.0 Support charge for Sheltered Housing**

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

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

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

#### **6.0 Heating costs - Older Persons Sheltered Accommodation**

- 6.1 These charges are set in line with known price decreases predicted by the

Department of Energy and Climate Control. For 2018/19, it is recommended that the average charge decrease is 39.35%. This is an average decrease of £2.31 per week for tenants that pay these charges.

## **7.0 Water Charges**

7.1 These charges are also set in line with the actual costs received for 2016/17. In order to recover actual costs incurred, it is recommended for 2018/19 that the average charge increase is 2.28%. This is an average increase of 11p per week for tenants that pay these charges.

## **8.0 Garage Rents**

8.1 The sale and redevelopment of garage stock that is no longer fit for purpose or in a repairable state means that there will be less voids and repairs within the stock that remains making it more cost effective to run

8.2 This also means that there are less rent collected and less rental income for garages coming in to the HRA. This year, garage rent charges must cover all repairs and maintenance to garage stock and maximise the income to the HRA.

8.3 It is therefore recommended that garage rents are increased by 4% (which is CPI as at September 2017 plus 1%) for 2018/19.

## **9.0 Capital Programme**

9.1 Capital Programme as set out in Appendix 2 has been prepared to meet the Council's strategies, as adjusted to reflect the availability of resources. Total budget expenditure for 2018/19 is £4,290,400.

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

9.3 All schemes approved as part of the Housing and Development, new build and empty homes programme, which are funded from HRA resources are expected to be completed by the end of the current year. Any slippage to will be re-profiled as part of the year end process. This programme will be funded from borrowing, capital receipts and HCA grant. All HRA funding for this programme is now exhausted therefore any new schemes will in future be undertaken by the Eastbourne Housing Investment Company and Aspiration Homes. .

## **10.0 Eastbourne Homes Management Fee**

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

10.2 The fee for 2017/18 was set at £7,219,500. It is proposed that the management fee will remain the same in 2018/19; the Board of Eastbourne Homes Ltd is considering whether it can be reduced.

10.3 To formally agree the management fee Members are asked to delegate this responsibility to the Chief Executive, in consultation with the Cabinet portfolio holders for Community Service and Finance Services and the Head of Finance.

## **11.0 Consultation**

11.1 The rent decrease reflects the requirements under the Welfare Reform and Work Act 2016. Additional consultation is carried out by engaging with Residents Panels

11.2 A copy of this report will be considered by the next meeting of the Scrutiny Committee on 5 February 2018. Any feedback will be reported verbally.

## **12.0 Corporate plan and council policies**

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

## **13.0 Outcome expected and performance management**

13.1 The HRA budget will be monitored regularly during 2018/19 and performance will be reported to members quarterly.

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

## **14.0 Financial appraisal**

14.1 These are included in the main body of the report

## **15.0 Legal implications**

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

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

15.3 Section 24 of the Housing Act 1985 gives local authorities the power to make reasonable charges for the tenancy or occupation of dwellings. Rent setting

must be seen in the context of the statutory duty to set a balance HRA budget.

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

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

## **16.0 Equality analysis**

16.1 The 1% reduction in rents will have a positive impact on all tenants and for those in the Council's Shared Ownership properties.

Whilst there is a small increase in service charges to those older residents living in the Council's Retirement Courts, this is lower than the increase in service charges in general needs blocks. Both increases have been set at the minimum required to cover increased costs.

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

The proposed increase in charges to cover water is more than offset by the decrease in the charge proposed to cover heating costs.

## **17.0 Conclusion**

17.1 The HRA Revenue Budget has been produced based on the policies set out in the HRA 30 year business plan and is showing an overall surplus of (£144k) for 2018/19.

17.2 The underlying HRA surplus has decreased between 2017/18 and 2018/19 due to the 1% rent decrease of £118k, a reduction in other customer receipts (£143k) increased borrowing costs resulting from the capital programme spending for 2017/18 of £40k and increase in the depreciation charge of £83k.

17.3 The levels of HRA balance and Housing Regeneration and Investment Reserve as at 31.3.19 are forecast to be £5m and £3.1m respectively. The Major Repairs Reserve is forecast to breakeven as expenditure is expected to equal contributions for 2018/19.

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

- 17.5 Service charges, heating and water charges are fixed weekly amounts set at a level to recover the expected actual cost to be incurred for the respective properties in the forthcoming year.
- 17.6 Garage rents are recommended to increase by 4%.
- 17.7 Total budgeted expenditure on the HRA Capital Programme is planned at £4.3m for 2018/19. All new capital expenditure is solely on major repairs, which is funded from cash backed depreciation, as borrowing will have reached the maximum allowed within the self-financing settlement. The Major Repairs programme is in line with the asset management plan and HRA business plan model.

## **Appendices**

- 1. HRA 17/18 Revised budget and 17/18 Budget**
- 2. HRA Capital Programme 17/18-20/21**

## **Background papers**

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

*HRA 2018/19 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

2017-18			2018-19
Original Budget £' 000	Revised Budget £'000		BUDGET £' 000
		<b>INCOME</b>	
(14,489)	(14,489)	Gross Rents	(14,353)
(1,062)	(1,062)	Charges for Services	(979)
(15,551)	(15,551)	<b>GROSS INCOME</b>	<b>(15,332)</b>
		<b>EXPENDITURE</b>	
7,261	7,261	Management Fee	7,261
1,023	1,023	Supervision and Management	1,038
127	127	Provision for Doubtful Debts	127
4,206	4,206	Depreciation and Impairment of Fixed Assets	4,290
12,617	12,617	<b>GROSS EXPENDITURE</b>	<b>12,716</b>
(2,934)	(2,934)	<b>NET COST OF SERVICES</b>	<b>(2,616)</b>
1,896	1,896	Loan Charges - Interest	1,935
(11)	(11)	Interest Receivable	(10)
(1,049)	(1,049)	<b>NET OPERATING SURPLUS</b>	<b>(691)</b>
600	600	Transfer to Reserves	500
-	95	Revenue Contribution to Capital Expenditure	47
(449)	(354)	<b>HOUSING REVENUE ACCOUNT (SURPLUS) / DEFICIT</b>	<b>(144)</b>
		<b>HOUSING REVENUE ACCOUNT WORKING BALANCE</b>	
(4,094)	(4,366)	In Hand at 1st April	(4,720)
(449)	(354)	Transfer (To)/ From Working Balance	(144)
(4,543)	(4,720)	In Hand at 31st March	(4,864)

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HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME 2017/18 - 2020/21							
Scheme	Total Scheme Cost	Spend to 31 March 2017	Approved Allocation 2017/18	Revised Allocation 2017/18	2018/19	2019/20	2020/21
<b>Managed By Eastbourne Homes</b>							
Major Works	Ongoing	Ongoing	4,166,300	5,167,250	4,250,400	4,344,000	4,398,500
Environmental Improvements		Ongoing	40,000	40,000	40,000	-	-
Riverbourne House Kitchen Conversion			-	262,000	-	-	-
			<b>4,206,300</b>	<b>5,469,250</b>	<b>4,290,400</b>	<b>4,344,000</b>	<b>4,398,500</b>
<b>New Build Phase 2</b>							
Sumach Close	1,934,734	593,773	-	1,340,961	-	-	-
Fort Lane	2,180,602	596,210	-	1,584,392	-	-	-
<b>Empty Homes Programme Ph 2</b>							
62a Tideswell Road	733,900	208,024	-	525,876	-	-	-
<b>Total HRA Capital Programme</b>			<b>4,206,300</b>	<b>8,920,479</b>	<b>4,290,400</b>	<b>4,344,000</b>	<b>4,398,500</b>
<b>Funded by:</b>							
Borrowing				788,417	-	-	-
Government Grant				203,750	-	-	-
Capital Receipts inc. RTB				1,975,480	-	-	-
Major Repairs Reserve			4,206,300	4,719,000	4,290,400	4,344,000	4,398,500
S106 Contributions			-	183,391	-	-	-
Revenue contributions from HRA Reserves			-	-	-	-	-
			-	1,050,441	-	-	-
<b>Total Financing</b>			<b>4,206,300</b>	<b>8,920,479</b>	<b>4,290,400</b>	<b>4,344,000</b>	<b>4,398,500</b>

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<b>Body:</b>	<b>Cabinet</b>
<b>Date:</b>	<b>7<sup>th</sup> February 2018</b>
<b>Subject:</b>	<b>Equality and Fairness Policy, Equality Objectives, Annual Report and Action Plan</b>
<b>Report of:</b>	Director of Regeneration and Planning
<b>Cabinet member:</b>	Councillor Sabri
<b>Ward(s):</b>	All
<b>Purpose of the report:</b>	The report sets out progress against the Council's current Equality Objectives and seeks approval of a new Equality and Fairness policy and set of Equality Objectives, and for the 2018 Action Plan.
<b>Decision type:</b>	Key decision
<b>Recommendations:</b>	<p>That the Equality and Fairness Policy set out at Appendix A be adopted</p> <p>That the Equality Objectives proposed for 2018 to 2021 and set out in paragraph 4.1 be adopted.</p> <p>That the Annual Report of activities carried out in 2017, set out at Appendix B be noted.</p> <p>That the Action Plan covered in Appendix C be approved.</p>
<b>Reasons for recommendations:</b>	To promote equality and fairness and eliminate discrimination, ensuring fair access to services and opportunities; and to comply with the Council's general and specific duties under the Equality Act 2010.
<b>Contact:</b>	Pat Taylor, Telephone 01323 415909 or internally on extension 5909. Email: pat.taylor@lewes-eastbourne.gov.uk

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## 1.0 Introduction

- 1.1 The council has statutory equality responsibilities, both as an employer and in the provision of the public services under the Equality Act 2010.

1.2 The Public Sector Equality Duty requires the council, in the exercise of its functions, to have due regard to the need to:

- eliminate discrimination, harassment and victimisation and any other conduct prohibited by the Equality Act;
- advance equality of opportunity between people who share a protected characteristic (as specified in paragraph 1.3 below) and people who do not share it (for example by meeting specific needs; minimising difficulties faced or encouraging participation in public life); and
- foster good relations between people who share a protected characteristic and people who do not share it.

1.3 The protected characteristics covered by the Equality Duty are:

- age
- disability
- gender reassignment
- marriage and civil partnership (but only in respect of eliminating unlawful discrimination)
- pregnancy and maternity
- race – this includes ethnic or national origins, colour or nationality
- religion or belief – this includes lack of belief
- sex (gender)
- sexual orientation

## **2.0 Background**

2.1 Specific duties which came into force in 2011 require public bodies, such as the Council, to publish information which shows their compliance with the general Equality Duty. The Equality and Human Rights Commission, which has a statutory responsibility to monitor compliance, has indicated that they would expect to see evidence of the organisation having due regard to the Equality Duty in its policy and decision-making. Refreshing the Council's policy is a key step in ensuring the Council has an effective process for ensuring full compliance with the Public Sector Equality Duty.

2.2 In addition, the specific duties require local authorities to set one or more Equality Objectives and review these regularly and to produce information annually to show how they have met the provisions of the Act, and review their objectives at least every four years.

2.3 This report details progress against EBC's Equality Objectives during 2017 and summarises some of the equality related work undertaken. This enables Members to scrutinise the Council's work in this area, and ensures that EBC fulfils the specific equality duties set out above.

### **3.0 Proposed policy**

- 3.1 The proposed policy attached at Appendix A is a Joint Policy for EBC and LDC and was adopted by LDC in November 2017. It makes explicit the policy principles embedded in the Equality and Fairness Strategy adopted by Eastbourne Borough Council in 2012 providing a clear statement of the values and principles which will underlie our work and services.

### **4.0 Proposed Equality Objectives**

- 4.1 In November 2017 the Council published a consultation on a proposed set of Equality Objectives for the next four years, 2018 – 2021, shared with LDC. We consulted on the following broad objectives which would bring together the key principles and aims of the objectives currently in place for LDC and EBC:

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

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

**Objective 3:** We will promote fairness and accessibility.

- 4.2 We also identified a number of ways in which we propose to deliver these objectives. A copy of the full consultation document is attached at Appendix C along with an analysis of the responses.
- 4.3 An additional Objective was suggested during the consultation and it is proposed that this be added to the specific objectives listed under Objective 2 as follows:

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

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

### **5.0 Annual Report 2017**

- 5.1 In March 2017 we completed Phase One of our Joint Transformation Programme. This included the redesign of services and recruitment to a number of corporate and strategic roles, including Heads of Service. Phase Two began in the summer of 2017 and was completed at the end of the year. The JTP has been subject to full equality and fairness reviews throughout. An Equality and Fairness Forum chaired by a member of CMT, reviewed and signed-off analysis covering a range of

JTP projects. In addition, a JTP Consultative Group comprising staff and union members carried out a quality check analysis on decisions affecting staff and our JTP EaF External Stakeholder Group provided a community viewpoint validating the equality work embedded within the JTP and all its projects.

- 5.2 Aligning policies has been a key area of work. The Equality and Fairness Policy and Objectives proposed in this report are one example of this. For example, we have also developed a shared Housing Allocations Policy with LDC and carried out a full Equality and Fairness analysis of this.
- 5.3 We have also reviewed our procedures for ensuring we take account of equality and fairness in decision making within the Council. The draft Action Plan for 2018 includes
1. the establishment of a shared internal Equality and Fairness Planning Group, chaired by the Chief Executive
  2. the establishment of a shared Equality and Fairness Stakeholder Group, chaired alternately by the Portfolio Holders responsible for Equality and Fairness in each Council and involving members from organisations in both Eastbourne and Lewes who work on behalf of groups protected under the Equality Act by virtue of age, disability, ethnic origin, gender, sexual orientation and faith.
- 5.4 We have also worked with our partners in the Safer East Sussex Partnership and colleagues working in Community Safety to provide hate crime training to front-line staff. This training was also shared with our community involvement groups, particularly the Cultural Involvement Group comprising Black, Asian and Minority Ethnic representatives, helping to raising awareness of and break down barriers to reporting.
- 5.5 We continue to support the Eastbourne Disability Involvement Group (EDIG). Once again, EDIG took part in the annual Eastbourne Senior's Forum 'Good Life Show', in support of Older People's Day. EDIG members have forged strong and effective relationships with the architects/developers of the Devonshire Park complex, and continue to engage purposefully on the proposed design. EDIG has also lobbied ESCC in opposition to their development of and support for shared spaces/surfaces. EDIG recently met with Stephen Lloyd MP to convey their concerns surrounding shared space, unsafe drop kerbs and changes to Southern Rail assisted travel services. Their working relationship with Possability People, a county-wide organisation helping to close the gap left behind by ESDA's closure, continues to strengthen. EDIG received presentations from council officers consulting on the Local Plan and Public Space Protection Orders. Finally, EDIG were very pleased the council installed a Changing Places along on the Seafront and consulted them on the design of the locking system. All in all EDIG continues to grow both in terms of its reputation and in regard to developing new opportunities for advancing equality for disabled people who live, work and visit the town.



- 5.6 Eastbourne's Faiths Forum recently agreed to become a virtual group with members regularly sharing news about their faith communities on the Faiths Forum Facebook Group and by email. Members contributed to events marking Holocaust Memorial Day 2018. In addition to the main event to remember victims of the Holocaust and subsequent genocides, a screening of Nicky's Family, a film based on the rescue of Czech and Slovak children just before the outbreak of WWII was organised.
- 5.7 Eastbourne Seniors Forum (ESF) put on an excellent event for Older People's Day in October, with many local organisations attending to showcase their services.
- 5.8 In July BourneOut LGBT held Eastbourne's first Mardi Gras. The parade along the seafront and party in Princes Park were extremely successful. Plans for next year's Mardi Gras are well underway. BourneOut LGBT also collaborated with the Council and Terrance Higgins Trust to plan an event to mark World Aids Day 2017.
- 5.9 A review of the Council's work with the Eastbourne Cultural Involvement Group (ECIG) identified a need for greater ownership by BME members and for wider engagement with BME communities to be achieved. ECIG members were consulted and approved a proposal for coordination and administration of the group's meetings to be passed to one of its members, Diversity Resource International. The first meeting under the new arrangements took place on 30<sup>th</sup> January.
- 5.10 Many other projects have a significant impact on the achievement of our Equality Objectives. We work to promote equality and fairness through our grants programmes. We grant fund a number of organisations which provide key services to people on low incomes, including Eastbourne Citizens Advice Bureau, BHT Eastbourne Housing Advice service, Salvation Army and Shinewater Shaftesbury Centre. In 2017, we also funded Eastbourne & Wealden YMCA to work with young people in the town and 3VA to support the voluntary and community sector through a range of information, advice, guidance and training services. In our annual Small Grants programme we continue to prioritise projects which promote the inclusion of groups protected under the Equality Act. In 2017 we awarded grants to two organisations working with older people, five organisations working with disabled people, one organisation working with carers, and one LGBT organisation.
- 5.11 2016 saw the first Syrian refugees arrive in this area as part of the national programme to resettle vulnerable Syrian people funded by the government. In 2017 the Council identified housing for two families comprising nine people, ensured they had basic furniture and equipment they would need, and arranged transport from the airport, translation services and appointments with key services, such as GP surgeries, schools, colleges, job centres and banks. We provide ongoing, intensive support, in partnership with the statutory services and voluntary organisations to help them integrate into their communities with a particular focus on English language learning and pathways into work.

- 5.12 We continue to work with a range of partners to promote awareness of Domestic Abuse through the White Ribbon Campaign, and work with the Safer East Sussex Team to tackle a range of issues, including hate crime, which disproportionately affects people protected under the Equality Act.
- 5.13 In February 2016, in light of the implications of the JTP, CMT made the decision to defer undertaking a self-assessment against the Equality Framework for Local Government. This will be completed in conjunction with LDC once the transformation programme is complete.
- 5.14 An update on the EBC Action Plan for 2015 to 2020 is shown at Appendix B.

## **6.0 Proposed Action Plan for 2018**

- 6.1 The Council's current Action Plan was developed for 2015 to 2020. In light of changes arising from JTP and need to align activities as far as possible with LDC, it is proposed that this 2015 to 2020 Action Plan be replaced with Annual Action Plans. Annual Plans allow us to be more responsive to needs identified in the course of each year.
- 6.2 An Action Plan for 2018 has been produced based on the proposed Equality and Fairness Policy and Equality Objectives covered in this report and is attached at Appendix C. The Action Plan covers a number of activities under each of our proposed Equality Objective headings.
- 6.3 As part of its ongoing work to meet its duties under the Equality Act, and in light of changes made as a result of service transformation and integration with LDC, the Council now needs to carry out a full programme of reviews assessing the equality and fairness of its functions and services. A programme of reviews has been developed and is set out with the proposed Action Plan at Appendix C.

## **7.0 Consultation**

### **Policy consultation**

- 7.1 A draft version of the policy was shared initially with members of the two Councils' internal officer groups and the JTP Equality and Fairness Stakeholder Group and one amendment incorporated as clarification in paragraph 1.
- 7.2 A consultation draft of the policy was then shared with a range of organisations in both local authority areas which promote the interests of groups protected under the Equality Act 2010:

Eastbourne Cultural Involvement Group  
Eastbourne Disability Involvement Group

Eastbourne Faiths Forum  
Eastbourne Seniors Forum  
Age Concern Eastbourne  
Possability People  
BourneOut LGBT  
Seaford Seniors Forum  
Lewes District Seniors Forum  
Lewes Area Action Group  
Access in Seaford and Newhaven  
Peacehaven Area Accessibility Group  
SCDA Sompriti

- 7.3 A further three responses were received at this stage, all supportive of the policy, with one amendment proposed which has been incorporated in the policy now presented. Two respondents specifically requested access for members of voluntary organisations to training on equality and fairness and the Council is discussing appropriate ways of including this within 3VA's training programme and network meetings. One respondent commented on the need for women's organisations to be represented in the Equality and Fairness Stakeholder Group.

### **Consultation on Equality Objectives**

- 7.4 Public consultation on the proposed Equality Objectives took place between 7<sup>th</sup> November and 15<sup>th</sup> December 2017. A copy of the full consultation document is attached at Appendix C along a summary of the responses.
- 7.5 We received 33 responses to the consultation of which 28 were from individuals and 5 from organisations. The majority of those who responded agreed with the objectives overall. The percentage of those who agreed with specific actions detailed under each objective ranged from 73% to 94%.

### **8.0 Resource Implications**

- 8.1 There are no additional financial costs associated with this report. The proposal to integrate governance and procedures for overseeing compliance with the Council's duties under the Equality Act is in line with the broader project to integrate Eastbourne Borough Council and Lewes District Council services to realise savings through the efficient use of resources.

### **9.0 Legal Implications**

- 9.1 This report sets out how the council has met, and will continue to meet, (1) its public sector equality duty under section 149 Equality Act 2010 and (2) its specific equality duties under The Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017

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

## **10.0 Risk Management Implications**

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

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

No new risks will arise if the recommendations are implemented.

## **11.0 Implications for Equality and Fairness and Fairness**

11.1 This report is designed to meet the Council's duties under the Equality Act. An Equality and Fairness Analysis has been completed and is available with the Background Papers for this meeting.

## **12.0 Recommendations**

12.1 Cabinet is recommended to

- adopt the Equality and Fairness Policy set out at Appendix A
- adopt the Equality Objectives proposed for 2018 to 2021 as set out in paragraph 4.1
- note the activities carried out in 2017 and update of the Action Plan 2015 to 2020 at Appendix B
- approve the Annual Report 2018 set out at Appendix C.

**Nazeya Hussain**  
**Director of Regeneration and Planning**

**Background Papers:**

[Equality Act 2010: guidance - GOV.UK](#)

[Equality Objectives Consultation Report](#)

Equality and Fairness Analysis – please contact report author



## Appendices

### 1 Appendix A



Lewes District Council



Working in partnership with Eastbourne Homes

## Equality and Fairness Policy

### 1. Introduction

For the purposes of this joint policy Lewes District Council and Eastbourne Borough Council will be referred to as 'the Councils'.

#### Values and Principles

The Councils are already committed to working within an environment where equality and fairness is integral to everything we do. We hold within our principles a commitment to valuing people and are able to demonstrate, through our work with community people and our workforce that this principle goes beyond a well-meaning statement.

All individuals living within our boundaries should have the opportunity to achieve their full potential and all those who live, work and visit our areas should feel welcome, valued, safe, respected and included.

We recognise that some groups experience stereotyping and unfair discrimination in society, and some groups are, or become, isolated through a number of barriers such as physical and mental disability, culture and language, deprivation and a lack of knowledge. The Councils are committed to challenging all forms of inequality and takes its obligations to promote equality of opportunity and foster good relations very seriously.

We value diversity and believe that people with different backgrounds, skills, attitudes and experiences bring fresh ideas and perceptions that enrich our local community.

### 2. Why do we need an Equality and Fairness policy?

This policy helps us to meet our statutory obligations set out in Public Sector Equality Duty ((PSED) also known as the general duty or the equality duty) under the Equality Act 2010. The PSED requires us, when we are carrying out our business, to have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation;
- Advance equality of opportunity between people who share a protected characteristic and people who do not share it; and
- Foster good relations between people who share a protected characteristic and people who do not share it

There are nine protected characteristics covered by the PSED, which are:

Age	Disability	Sex (gender)
Pregnancy and Maternity	Gender Reassignment	Race
Religion or Belief	Sexual Orientation	
Marriage and Civil Partnership*		

For a wider definition of each of the above please see the glossary at appendix 1.

We also recognise that socio-economic status can be a significant barrier to equality of opportunity.

### 3. Ownership and delivery of the policy

This Equality and Fairness Policy is the responsibility of all:

- Councillors
- Staff at all levels (permanent and temporary, including agency staff, apprentices and volunteers)
- Contractors and partners working on the Council’s behalf
- Voluntary sector organisations funded by the Councils.

Our service users are required to comply with Section 3.2.1 of this policy when they are using services provided by the council (or partners or contractors acting on our behalf). Examples are people using or renting council premises, or attending council events.

#### 3.1 Responsibility

Everyone listed in Section 3 above has a responsibility to further the objectives of this policy and to comply with it.

We know that we cannot progress equality and fairness without dedicating resources and time. We have put in place the means by which our employees can feel empowered to deliver, and/or enable activities to take place, that advance equality of opportunity and foster good relations among our communities. In order to give structure and meaning to our commitments and ongoing work we have assigned specific resources and processes to the delivery of this policy.

3.1.1 *Corporate Responsibility:* A Cabinet Member in each Council and the Chief Executive have a shared corporate responsibility for the Council’s equality and fairness agenda, both having Equality as part of their individual portfolios. They may

delegate specific responsibilities to other members of the Corporate Management Team and Elected Members.

- 3.1.2 The Head of Service for Business Planning and Performance has specific responsibility for ensuring the Council's equality and fairness agenda is delivered at both a corporate and service delivery level and ensuring the Council complies with the PSED and the wider implications as set out in the Equality Act 2010. The Business Planning and Performance team is responsible for: setting policy direction; setting and agreeing corporate objectives; acting in an advisory and training role for service areas; monitoring progress; establishing and co-ordinating a process for equality and fairness analysis; effective quality checking and enablement of external validation; effective stakeholder involvement; preparing an annual progress report for Cabinet; preparing and updating guidance documents; ensuring the Council is complying with its publication obligations.
- 3.1.3 *Human Resources:* The Assistant Director for Human Resources and Organisational Development is responsible for ensuring the Council complies with the Public Sector Equality Duty in relation to the recruitment, training, development and support of Council staff.
- 3.1.4 *Financial:* The Councils have designated a corporate budget for progressing the equality and fairness agenda, engaging with local communities, and consulting on policies and how services are delivered, and for publishing results, in line with the specific duties outlined in the SED.
- 3.1.5 *Decision-making:* Statutory responsibility for ensuring equality becomes an integral part of everything the Council does, and achieving the public equality duties as set out in the Equality Act 2010 lies with the strategic decision making bodies of the Council. In order to maintain uniformity in approach and to oversee that the work undertaken to meet these duties is done appropriately and systematically, an officer group will be established to oversee the assessment of Council functions and policies; and an Equality and Fairness Stakeholder Group (EFSG) will be established to validate assessments and ensure the views of stakeholders are taken into account in the development of policy and work programmes.

### 3.2 Required standards of behaviour:

All Councillors and members of staff are expected to comply with the relevant Code of Conduct and Dignity at Work policy and all such policies affecting how the Council's workforce, and that of its contractors, should conduct themselves whilst at work. This means we are able to provide a safe and welcoming environment in which all individuals are valued, included and respected. Discrimination, harassment and victimisation in any form are not acceptable.

- 3.2.1 *Consequences:* Incidents of discrimination, harassment and victimisation will be recorded and reported, in order that appropriate action can be taken to address them under the relevant council policies and procedures. This may include reporting those which constitute a criminal offence, as well as dealing with them under Disciplinary Procedures, a contract or a tenancy agreement.



### 3.3 Equality and Fairness Analysis

We will ensure that no policies, practices, projects or procedures impact less favourably on people who share protected characteristics, through a process of equality analysis. This will include giving consideration to the needs of people whose socio-economic status can be a significant barrier to equality of opportunity. The analysis will also ensure our services do not infringe people's human rights. We will collect and monitor appropriate equality-related data and review service delivery to ensure that they are accessible to all, free from bias and meet the diverse needs of the community.

### 3.4 Involving Disabled People

The Council is committed to involving disabled people at an early stage in decisions that affect them and will continue to apply the principles of the government's 'Disability Confident Committed Employer' scheme for recruitment.

The Council is also committed to minimising barriers restricting access to our premises, facilities, services, democratic processes and employment. To this end the Council will continue to engage with local groups about specific areas that matter to them and those that matter to the Council.

### 3.5 Widening participation

The Council will take positive steps, where possible, to address any gaps in participation and/or representation of people who share protected characteristics among our Councillors, workforce, service-users, consultees and partners, and to widen participation to include socially or economically disadvantaged people.

### 3.6 Balancing conflicting views

We will take proportionate steps to balance the rights of individuals where they appear to conflict, as sensitively as possible. We will also take steps to ensure people's human rights are not adversely affected. Individuals acting on our behalf or using our premises or services must exercise freedom of expression in a way that is compatible with fostering good relations between people with different protected characteristics, eliminating unfair discrimination and advancing equality of opportunity. We will uphold these principles if it is necessary to adjudicate between competing interests.

### 3.7 Working with other organisations

We will strive to work with organisations and contractors who embrace equality, fairness and diversity. We will seek information on the equality and diversity practices of potential contractors and partner organisations, and take this into account when deciding to award contractors and grants. Wherever it is possible to do so we will

work with local organisations that employ local people and who directly support our local economies.

### 3.8 Training

We will provide relevant equality, diversity and human rights training and learning opportunities to staff, volunteers and Councillors, to empower them to carry out their role in furthering the objectives of this policy.

### 3.9 The wider community

We will continue to build strong relationships with community groups and local organisations, contributing to community cohesion. As part of this process, we will promote equality of opportunity, and seek to foster positive attitudes and good relations between different groups of residents across the Councils' area.

## 4. Equality objectives and information

In accordance with our specific duties under the Equality Act 2010, the Council will set equality and fairness objectives and will publish annual equality information about our services and staff. We will also publish an annual progress report advising our communities of our progress against our objectives, enabling them to hold us to account. Our objectives will be specific and measurable and integrated into our service plans and quality improvement processes.

## 5. Monitoring and review

Responsibilities for monitoring and review of our Equality and Fairness Policy, Equality Objectives and Equality Information is set out at 3.1 above.

## 6. Contacts

Corporate: Head of Business Planning and Performance  
Strategy and Partnerships Lead for Thriving Communities  
Customer Communications and Engagement Lead

## Equality terms glossary:

<b>Advancing equality</b>	The Equality Act 2010 states that this involves having due regard to the need to remove or minimise disadvantages suffered by persons who share a protected characteristic; meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it; and encourage persons who share a relevant protected characteristic to participate in public or in any other activity in which participation by such persons is disproportionately low.
<b>Age</b>	People of any age.
<b>Assessing impact on equality</b>	This involves looking at equality information and the outcomes of any engagement in order to understand the impact or potential impact of your decisions on people with different protected characteristics.
<b>Civil partnership</b>	Legal recognition of a same-sex couple's relationship. Civil partners must be treated the same as married couples on a range of legal matters. (Only in relation to due regard to the need to eliminate discrimination).
<b>Direct discrimination</b>	<p>Direct discrimination occurs when a person treats another less favourably than they treat others because of a protected characteristic. Direct discrimination is generally unlawful but may be lawful in the following circumstance:</p> <p style="padding-left: 40px;">In relation to protected characteristic of disability, where a disabled person is treated more favourably than a non-disabled person</p> <p>A person experiencing less favourable treatment 'because of a protected characteristic' does not have to possess the characteristic themselves. For example, the person might be associated with someone who has the characteristic ('discrimination by association'); or the person might be wrongly perceived as having the characteristic ('discrimination by perception').</p>
<b>Disability</b>	A person who has a physical or mental impairment and that impairment has a substantial and long-term adverse effect on their ability to carry out 'normal' day to day activities. Some impairments are hidden, such as mental health problems, HIV, cancer, diabetes and epilepsy, but all are covered.
<b>Disadvantage</b>	This could include denial of an opportunity or choice. It is

	similar to 'detriment'. The question to answer is 'would a reasonable person complain about the service?' In other words an unjustified sense of grievance would not qualify as 'disadvantage'.
<b>Due regard</b>	Due regard requires consciously thinking about the three aims of the equality duty as part of the process of decision-making. This means that consideration of equality issues must influence decisions reached by public bodies – such as how they act as employers; how they develop, evaluate and review policy; how they design, deliver and evaluate services; and how they commission and procure services from others.
<b>Engagement</b>	A broad term, intended to cover the whole range of ways in which public authorities interact with their service users, employees and other stakeholders, over and above what they do in providing services or within a formal employment relationship.
<b>Equality Act 2010</b>	This brings together the majority of existing equality legislation into one place so that it is easier to use.
<b>Equality Information</b>	The information that you hold (or will collect) about people with protected characteristics, and the impact of your decisions and policies on them.
<b>Equality Objectives</b>	A requirement to prepare, set and publish objectives is one of the specific duties set out under the equality duty.
<b>Equality outcome</b>	The results that individuals or groups actually achieve and are able to benefit from. For example, equal pay between men and women.
<b>Fostering good relations</b>	The Equality Act 2010 states that having due regard to the need to foster good relations involves having due regard, in particular, to the need to tackle prejudice and promote understanding between people who share a protected characteristic and those who do not.
<b>Function</b>	The full range of a public authority's activities, duties and powers.
<b>Gender</b>	The wide social roles and relationships that structure men's and women's lives. These change over time and vary between cultures.
<b>Gender reassignment</b>	A person who is proposing to go through, is undergoing, or has undergone a process (or part of a process) to change their gender. A reference to a transsexual person is a reference to someone who has the protected characteristic of gender reassignment.

<b>General equality duty</b>	The requirement to have due regard to the need to eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act; to advance equality of opportunity between people who share a protected characteristic and those who do not; and to foster good relations between people who share a protected characteristic and those who do not.
<b>Harassment</b>	<p>Unwanted conduct related to a protected characteristic that has the purpose or effect of violating a person’s dignity or creates an intimidating, hostile, degrading, humiliating or offensive environment.</p> <p>Unwanted conduct covers a wide range of behaviour, including spoken or written words or abuse, imagery, graffiti, physical gestures, facial expressions, mimicry, jokes, pranks, acts affecting a person’s surroundings or other physical behaviour.</p> <p>The word unwanted means essentially the same as ‘unwelcome’ or ‘uninvited’. ‘Unwanted’ does not mean that express objection must be made to the conduct before it is deemed to be unwanted.</p>
<b>Indirect discrimination</b>	Indirect discrimination may occur when a service provider applies an apparently neutral provision, criterion or practice in a way that creates disproportionate disadvantage for a person with a protected characteristic as compared to those who do not share that characteristic, and is not a proportionate means of achieving a legitimate aim.
<b>Less favourable treatment</b>	This would require a comparison to be made with how a service provider would have treated other service users or would have treated them in similar circumstances.
<b>Legitimate aim</b>	<p>Examples are:</p> <ul style="list-style-type: none"> <li>Ensuring that services and benefits are targeted at those who most need them;</li> <li>The fair exercise of powers;</li> <li>Ensuring the health and safety of those using the service provider’s service or others, provided risks are clearly specified;</li> <li>Preventing fraud or other forms of abuse or inappropriate use of services provided by the service provider; and</li> <li>Ensuring the wellbeing or dignity of those using the service.</li> </ul> <p>Although reasonable business needs and economic efficiency may be legitimate aims, a service provider solely aiming to reduce costs cannot expect to satisfy the test.</p>
<b>Marriage</b>	The legally recognised union of two people as partners in a personal relation. (Only in relation to due regard to the need

	to eliminate discrimination).
<b>Maternity</b>	The period after giving birth. It is linked to maternity leave in the employment context. In the non-work context, protection against maternity discrimination is for 26 weeks after giving birth, including as a result of breast feeding.
<b>Pregnancy</b>	The condition of being pregnant.
<b>Proportionality</b>	The weight given to equality should be proportionate to its relevance to a particular function. This may mean giving greater consideration and resources to functions or policies that have the most effect on the public or on employees. This means that all possible ways of achieving the aim have been investigated and it is not based on solely being the cheapest means – these are often more discriminatory.
<b>Protected characteristic</b>	The public sector equality duty covers age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation. It also covers marriage and civil partnership, but not for all aspects of the duty.
<b>Public functions</b>	The Equality Act 2010 defines a public function as a function that is of a public nature for the purposes of the Human Rights Act 1998.
<b>Race</b>	A person of a particular racial group - includes nationality (including citizenship), colour, ethnic or national origins, including refugees and migrants and Gypsy and Travellers.
<b>Reasonable adjustments</b>	Service providers have an anticipatory duty to make reasonable adjustments for disabled people. When planning its services, a service provider will need to consider whether its practices indirectly discriminate against disabled persons. If a practice does discriminate, then the service provider must consider whether the practice can be justified.
<b>Religion or belief</b>	Any religion which has a clear structure and belief system, including a lack of religion. Belief covers any religious and philosophical belief, including a lack of belief (for example, atheism).
<b>Sex</b>	A person who is a man or a women.
<b>Sexual orientation</b>	A person who has a sexual orientation (sexual attraction) towards someone of the same sex, the opposite sex, or either sex.
<b>Transgender</b>	An umbrella term for people whose gender identity and/or gender expression differs from their birth sex. They may or may not seek to undergo gender reassignment hormonal treatment/surgery. Often used interchangeably with 'trans'.

<p><b>Transsexual</b></p>	<p>A person who intends to undergo, is undergoing or has undergone gender reassignment (which may or may not involve hormone therapy or surgery). Transsexual people have the protected characteristic of gender reassignment under the Equality Act 2010.</p>
<p><b>Treating people more favourably</b></p>	<p>Complying with the equality duty may involve treating some people more favourably than others. For example, it may involve making use of an exception or the positive action provisions, in order to provide a service in a way which is appropriate for people who share a protected characteristic, such as providing computer training to older people to help them access information and services.</p>
<p><b>Taking account of disabled people's disabilities</b></p>	<p>The equality duty also explicitly recognises that disabled people's needs may be different from those of non-disabled people. Public bodies should take account of disabled people's impairments when making decisions about policies and services. This might mean making reasonable adjustments or treating disabled people better than non-disabled people in order to meet their needs.</p>





## Appendix B – 2017 update on Action Plan

### Equality and Fairness Corporate Action Plan 2015 - 2020

Corporate and Community Involvement Combined Action Plan 2015 – 2020				
Objective	Action	Target	Responsible Officer(s)	Progress
Enable local communities to participate in the way we design our services and make decisions about the future of our town.	The Council will continue to provide administrative support enabling community involvement groups to operate during 2015/16 and beyond. This to include face to face events and/or digital information sharing agreed with each group. Where appropriate inviting speakers and encouraging debate around the issues that matter to these groups. In regard to more formal face to face meetings ensuring agendas and notes are circulated according to the agreed terms of reference for each group.	Frequency and timings of meetings and/or style of delivery have been agreed with involvement groups.	Snr/Corporate Development Officer(s)	This action is ongoing.  All involvement group meetings that require facilitation and/or administration from the council were serviced effectively and according to agreed terms of reference.
To build respect and understanding of each other across our communities by working with them to tackle prejudice, discrimination, extremism and hate	Provide information on hate incidents and hate crimes and other matters that respond to potential tension within groups and individuals.	Share stats on hate incidents with involvement groups at least twice a year	Hate Crime Co-ordinator (HCC) (Safer Sussex Partnership)	Hate crime stats are shared at relevant meetings and a number of Community Tensions meetings brought together statutory, voluntary and community organisations to discuss areas of

Corporate and Community Involvement Combined Action Plan 2015 – 2020				
Objective	Action	Target	Responsible Officer(s)	Progress
crime.	Where appropriate, work in partnership with communities and agencies in order to: address areas of common concern; respond to specific issues within communities; and deliver initiatives that promote community cohesion via education.	At least one combined event to be held each year.	SCDO, HCC, Neighbourhood First and Community Safety officers	common concerns and appropriate means of remedy.
To lead by example and hold equality, fairness and human rights at the heart of everything with do	Ensure good practice achieved through engagement with involvement groups is shared across the Council and integrated into corporate and service planning, using existing internal communication channels and articles for newsletters.	Share information via appropriate internal channels	Corporate Development Officers	All such information is fed back to relevant service areas either directly at senior management level or via internal newsletters.
	Each area of the Council will work towards improving equality and fairness within their services by agreeing and setting departmental equality objectives which will be corporately monitored in line with agreed mechanisms. These to be aligned with priority projects published in the revised Corporate Plan or unique to each delivery area of the Council's Future Model.	Equality and fairness objectives to be in place March 2016 or the publication date of the refreshed Corporate Plan each year.	Corporate Management Team and third tier officers working with team leaders	Equality now features prominently in the Corporate Plan and is open to public scrutiny.  Equality Objectives were carried forward into 2017 to allow time for a review, consultation and integration with LDC objectives.

Corporate and Community Involvement Combined Action Plan 2015 – 2020

Objective	Action	Target	Responsible Officer(s)	Progress
	Work with community and voluntary organisations to explore avenues to enhance equal opportunities and fostering good relations for people with protected characteristics across all Council service areas.	Target dependent upon opportunities	Individual officers depending on opportunity	Close working with partner organisations has resulted in a number of events being held to promote participation in public life, particularly around the promotion of mental health, assistance dogs and the law, disabled access, complaints and redevelopment activity.
	Ensure fair recruitment practices are in place enabling service managers to recruit and develop new employees with advancing equality of opportunities as a key requirement.	HR policies are refreshed in line with equality practices and legislation	HR Advisors	Future Model (whole Council restructure) and the ongoing Joint Transformation Programme – (shared services arrangements and restructure affecting Eastbourne Borough Council, Lewes District Council and Eastbourne Homes Limited) have been subject to full and thorough analysis promoting fair recruitment practices to address potential equality implications.

Corporate and Community Involvement Combined Action Plan 2015 – 2020

Objective	Action	Target	Responsible Officer(s)	Progress
	<p>Continue to be a partner in the Sussex Translation and Interpreting (SUSTI) Framework Agreement, monitoring user feedback and satisfaction levels.</p> <p>Advocate for the framework to retain its local focus when it is renewed in Dec 2016, enabling local providers to bid for work. Should the framework not retain its local focus to consider alternative options.</p>	<p>Attend twice yearly SUSTI monitoring meetings organised by ESCC.</p> <p>Take appropriate action once renewal parameters are agreed.</p>	<p>Snr/Corporate Development Officers</p>	<p>The new SUSTI contract restricts participating authorities choice of provider and encourages the use of nationally based organisations. As a result both EBC and LDC entered into a local Service Level Agreement with their preferred provider for foreign language interpretation and bi-lingual advocacy. BSL was also reviewed. For all other areas covered both Councils will refer to the SUSTI contract.</p>

## Appendix C - Proposed Equality and Fairness Action Plan 2018 – Part 1

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

Ref	Action	Lead Officer	Resources	Target date
9.	Arrange training on Access Issues to Neighbourhood First teams and ensure Neighbourhood Officers are able to respond confidently and effectively to customer enquiries relating to access issues	Strategy and Partnerships Lead – Thriving Communities	Officer time	June 2018
10.	Promote 'White Ribbon' Activities and implement action plan in partnership with EBC and Domestic Abuse Working Group.	Specialist Advisor – Community Safety	Officer time	December 2018
11.	Promote activities commemorating anniversaries of Universal Suffrage 1918 legislation	Customer Communications and Engagement Lead	Officer time	December 2018
12.	Support the coordination of an inter-faith event if initiated by the Faiths Forum	Policy and Engagement Coordinator	Officer time	December 2018
13.	Coordinate events for World Aids Day and Holocaust Memorial Day	Policy and Engagement Coordinator		December 2018
14.	Continue prioritising funding for projects which promote the inclusion of communities and groups protected under the Equality Act and fund up to five events designed to raise awareness and foster positive relationships	Strategy and Partnerships Lead – Thriving Communities	Officer time	December 2018
15.	Review and align LDC/EBC Equality Monitoring Policies for JTP	Strategy and Partnerships Lead – Thriving Communities	Officer time	April 2018
16.	Work with voluntary sector partners to promote equality and fairness through training and network meetings	Strategy and Partnerships Lead – Thriving Communities	Officer time	December 2018
17.	Implement a 3-year programme of functional reviews following completion of Phase 2 JTP	Strategy and Partnerships Lead – Thriving Communities	Officer time	April 2018 to 2021
18.	Monitor use and quality of translation and interpreting	Strategy and Partnerships	Officer time	December 2018

Ref	Action	Lead Officer	Resources	Target date
	services	Lead – Thriving Communities		
19.	Undertake self-assessment against Equality Framework for Local Government	Strategy and Partnerships Lead – Thriving Communities	Officer time	Deferred until after completion if JTP (2019/20)

**Appendix C Proposed Equality and Fairness Action Plan 2018 – Part 2**  
**Equality and Fairness review of Council Functions – 3 year programme 2018/19 to 2020/21**

**Equality and Fairness timetable for Functional Reviews**

<b>Strategy, Planning and Regeneration: Naz Hussain</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
Projects and Performance monitoring	Performance and Programmes Lead		
Communications	Customer Communications and Engagement Lead		
Consultation and engagement		Customer Communications and Engagement Lead	
Housing acquisition and development		SPL – Housing and Development	
Regeneration, business advice and support – 2019/20		Regeneration and Planning Policy	
Community Safety		SPL – Thriving Communities	
Community development and voluntary sector support services			SPL – Thriving Communities
Community grants	SPL – Thriving Communities		
Planning Policy development		Regeneration and Planning Policy	
Commercial Businesses and Property development		Group Head of Commercial Businesses	
<b>Tourism and Enterprise: Phil Evans</b>			
Tourist information services	Tourism and Enterprise		



Marketing	Tourism and Enterprise		
Sports and leisure facilities		Tourism and Enterprise	
Seafront services		Tourism and Enterprise	
Art, cultural and heritage services		Tourism and Enterprise	
Events			Tourism and Enterprise
Theatres			Tourism and Enterprise
Catering			Tourism and Enterprise
<b>Homes First: Andy Chequers</b>			
Homelessness services	Housing Needs and Allocations		
Housing advice and options		Housing Needs and Allocations	
Housing Needs registration and rehousing processes			Housing Needs and Allocations
Housing Grants and Loans – DFGs, Small Works, Energy saving etc.	Tenancy Services		
Housing repairs, maintenance and estate management			Tenancy Services
Tenancy management, tenancy support, complaints incl. neighbour nuisance		Tenancy Services	
Tenant participation and involvement		Tenancy Services	
<b>Customer First, Account Management, Casework and Specialist Advice: Scot Reid and Tim Whelan</b>			
Customer contact – phone and reception services and facilities	Customer Advice		
Customer contact – on-line services, website, on-line processes and ‘report it’		Customer Advice	
Business Rate setting and collection	Specialist Advice /		

	Growth and Prosperity		
Household waste collections, recycling, bulky waste, trade waste	Specialist Advice / Quality Environment		
Management of parks and gardens		Specialist Advice / Quality Environment	
Health and Safety advice and inspections		Specialist Advice	
Cemeteries and crematoria, funeral services – including welfare funerals			Specialist Advice
Licensing and enforcement			Specialist Advice
Private housing inspection and HMO licensing		Specialist Advice	
Food hygiene and inspection		Specialist Advice	
Parks, gardens			Specialist Advice
Parking permits, fines and car parks			Specialist Advice
<b>Neighbourhood First: Scot Reid and Julie Hickling</b>			
Public Health – pests, filthy and verminous premises, pollution			Specialist Advice / Neighbourhood First
Neighbourhood response to complaints – e.g. graffiti, vandalism, etc.		Specialist Advice / Neighbourhood First	
Animal welfare			Specialist Advice / Neighbourhood First
Access Advice		Specialist Advice / Neighbourhood First	
<b>HR - Becky Cooke</b>			
Recruitment	Human Resources		
Staff development		Human Resources	
<b>Democratic Services - Jackie Gavigan</b>			
Committees and Councillors	Democratic Services		
Electoral Services		Democratic Services	

<b>Finance</b>			
Rent setting and collection	Financial Services / Account Management		
Council Tax setting and collection		Financial Services / Account Management	
Budgeting	Financial Services		
Service charges and fees		Financial Services	

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